S. HRG. 98-336

SMALL BUSINESS ADMINISTRATION'S PROGRAM DELIVERY

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

SMALL BUSINESS ADMINISTRATION'S PROGRAM DELIVERY

JULY 21, 1983

Printed for the use of the Committee on Small Business

U.S. GOVERNMENT PRINTING OFFICE

22-873 O WASHINGTON : 1983

ST21-25

COMMITTEE ON SMALL BUSINESS

LOWELL WEICKER, JR., Connecticut, *Chairman*

BOB PACKWOOD, Oregon	SAM NUNN, Georgia
ORRIN G. HATCH, Utah	WALTER D. HUDDLESTON, Kentucky
RUDY BOSCHWITZ, Minnesota	DALE BUMPERS, Arkansas
SLADE GORTON, Washington	JAMES R. SASSER, Tennessee
DON NICKLES, Oklahoma	MAX BAUCUS, Montana
WARREN RUDMAN, New Hampshire	CARL LEVIN, Michigan
ALFONSE M. D'AMATO, New York	PAUL E. TSONGAS, Massachusetts
BOB KASTEN, Wisconsin	ALAN J. DIXON, Illinois
LARRY PRESSLER, South Dakota	DAVID L. BOREN, Oklahoma

ROBERT J. DOTCHIN, *Staff Director*
DEBORAH L. GRAHAM, *Press Secretary*
ALAN L. CHVOTKIN, *Minority Chief Counsel*

CONTENTS

	Page
Statement of Senators:	
Stevens, Hon. Ted, a U.S. Senator from the State of Alaska	2
Weicker, Hon. Lowell, Jr., a U.S. Senator from the State of Connecticut, and chairman, Committee on Small Business	1
Statement of:	
Bell, Mable, vice president and manager, community relations, Bank of America, San Francisco, Calif	25
Castillo, Irenemaree, Regional Administrator, Small Business Administration, Region 9, San Francisco, Calif	24
Cox, Frank, District Director, Small Business Administration, Region 10, Anchorage, Alaska	9
Garber, Susan M., State director, Pennsylvania Small Business Development Centers, the Wharton School, University of Pennsylvania	40
Kirschner, Paul, chairman, San Francisco SCORE/ACE Chapter 10, Small Business Administration, San Francisco, Calif	26
Pickard, James O., secretary of commerce, Commonwealth of Pennsylvania	39
Sanders, Hon. James C., Administrator, Small Business Administration	4
Terpeluk, Peter, Regional Administrator, Small Business Administration, Region 3, Bala Cynwyd, Pa	38
APPENDIX	
Statement of Richard D. Durkin, Regional Administrator, U.S. Small Business Administration, Region V	59
Addendum of statement of Irenemaree Castillo, Regional Administrator, San Francisco Regional Office, U.S. Small Business Administration	63
Statement of C. R. Suarez, Regional Administrator, Region VIII, U.S. Small Business Administration	72
Letter dated July 20, 1983, to Bob Santy, Director, Office of Congressional & Legislative Affairs, U.S. Small Business Administration, Central Office, from Miller Widemire, Regional Administrator	84
HEARING DATE	
July 21, 1983:	
Morning session	1

SMALL BUSINESS ADMINISTRATION'S PROGRAM DELIVERY

THURSDAY, JULY 21, 1983

U.S. SENATE,
COMMITTEE ON SMALL BUSINESS,
Washington, D.C.

The committee met, pursuant to notice, at 9:50 a.m., in room SR432, Russell Senate Office Building, Hon. Lowell Weicker, Jr. (chairman of the committee) presiding.

Present: Senators Weicker and Tsongas.

Staff present: Robert J. Dotchin, staff director; Deborah L. Graham, press secretary; and Dorothy C. Olson, hearing clerk.

STATEMENT OF HON. LOWELL WEICKER, JR., A U.S. SENATOR FROM THE STATE OF CONNECTICUT, AND CHAIRMAN, COMMITTEE ON SMALL BUSINESS

The CHAIRMAN. Today the committee will be conducting an overview hearing on the Small Business Administration's delivery system, or its operations out in the field. I think it is especially appropriate we are holding the hearing as the Agency celebrates its 30th year in existence, and as Administrator Jim Sanders marks the anniversary of his first full year as head of the Small Business Administration.

Although we here in Congress relate mostly to the SBA as it exists in its offices down on L Street, the small business owners around the country see a far different side. To them, SBA is the regional office in Boston or New York, or even the district office in Hartford or South Bend or Biloxi. For the majority of small business people, that local office is the closest they will ever get to L Street and all that goes on down there.

Therefore, clearly what happens in those district and regional offices is important, both to the agency they are representing and to the small business owners who are being served. Just as every State has its own unique character and identity, so must every office if they are to be truly responsive to the needs and problems of small business communities there.

Certainly it is true that every office has several programs which, by statute, they must administer, but I think it is important for us to remember and recognize that the Small Business Administration is more than just a loan agency. Hopefully this hearing will demonstrate that.

I understand we will be examining three programs today that truly illustrate the ability of the agency to adapt and respond cre-

atively to situations in the field as they arise. I look forward to hearing from our witnesses about these innovative programs and the impact they have had on the small business communities in their districts.

Our first witness is Jim Sanders. Jim, congratulations both on a personal anniversary and that of the Administration. I also understand that congratulations are due on your becoming a grandfather.

Mr. SANDERS. Don't let that get around, Senator.

The CHAIRMAN. Well, some of us are older than others, I guess. [Laughter.]

I notice also my good friend, Senator Stevens. Ted, nobody has been more supportive of these programs than you have. It is a pleasure to have you here. I understand you are going to be doing the introduction of Mr. Cox.

Gentlemen, the floor is yours, and I look forward to hearing the very positive side of what the agency has been doing during the course of the next hour or so.

Mr. SANDERS. Mr. Chairman, I appreciate that. I would like to defer to Senator Stevens to lead off, since he has a hearing to chair shortly, so I will take a second position to the Senator.

STATEMENT OF HON. TED STEVENS, A U.S. SENATOR FROM THE STATE OF ALASKA

Senator STEVENS. Mr. Chairman, I am grateful to Jim Sanders for his courtesy. I do have to go. As three grandfathers, we are happy to be here together. [Laughter.]

I welcome the opportunity to bring to your committee our District Director of the SBA in Alaska. Frank Cox has been a personal friend of mine for a long time. Frank is the Director of the Small Business office, has been the Director since 1970, and he has been very instrumental in the success of the SBA in Alaska. I would like to just tell you a little bit about that success.

I don't need to lecture you about Alaska being the land of opportunity, and its size. It is one-fifth the size of the United States. Frank deals with areas which have virtually no banks at all and which would exceed the size of your State or many States of the Union.

Now despite all of the conditions that he has been dealing with, Frank has had one of the most successful programs of the SBA in the United States. As a matter of fact, his office in Alaska has dealt with and administered more loans than the Seattle and Portland offices put together. That has been because of his very aggressive action in Alaska. Actually you could say that Frank Cox has become the local banker for many villages and communities in Alaska that have no banks, no access to the financial world at all.

We have had a strong economy in Alaska that has helped the SBA's programs, but as a practical matter the success of the SBA has been because of an organization we call AIDA, the Alaska Industrial Development Authority. That was developed by the Alaska bankers, State officials, and business leaders to assist small business and later to become a secondary market for the SBA-guaran-

teed loans. Alaska was the innovator of the secondary market program.

However, I want to tell you that Frank Cox was the originator of that program because he was the director of planning and research in the Alaska Governor's office in 1968, when that program was conceived. He had an active part in passing the legislation through the Alaska Legislature, and I was in that legislature as the majority leader of the State legislature and I know what Frank did at that time.

In 1980, as the district director of SBA, with the intimate knowledge of the original AIDA legislation, Frank put together another bill which passed the Alaska State Legislature on October 1, 1981, enabling AIDA to become a secondary purchaser of the guaranteed portions of the SBA loans. The benefits of the AIDA program are realized by all parties involved. It is a program unique to Alaska, but it has been the cornerstone of the SBA's financial success in Alaska.

Now in addition to the secondary market program, Alaska small businesses use industrial development bonds, and they have played an important part too in the success of Alaska's small business. AIDA's small-issue IDB program, which is independent of the secondary market program, is relied upon heavily to provide financing to a variety of small businesses.

Significant restrictions were placed on IDB's in 1982 in order to eliminate alleged abuses in IDB programs. Now, there are further restrictions being considered. I believe that limiting IDB's will eliminate the flexibility that IDB's can offer to State and local governments to decide their own economic problems, and I am hopeful that Congress will continue to let the IDB programs work, and reject further restrictions that have been proposed in this session to IDB programs.

However, basically I want to tell you, Mr. Chairman, that Frank Cox has really been the reason for the success of small business programs in Alaska. There are many villages and small communities in Alaska, predominantly in native areas, that have come into the small business world and have succeeded primarily because of the action of the SBA and the programs that you have worked on. This committee has seen to it that they have been continued and expanded, and we in Alaska want to see the programs continue to be vital and viable ones as far as the country is concerned. I would like to assist you in that regard.

I hope, Jim, you and Frank will excuse me, and you will excuse me, Mr. Chairman. I do have to chair the Defense Subcommittee, but I appreciate the opportunity to come here. I would invite your attention to the success in Alaska because to my knowledge only one other State has copied the AIDA secondary market program so far, but no loans have been guaranteed in that State. It is something that might be fostered nationwide through the help of this committee to show what other States could do with an industrial development program such as AIDA's.

I am sure Frank Cox and the State of Alaska would stand ready to assist you in such an endeavor, should you decide to inquire further into the program. We would welcome your coming to Alaska to look into the program, at your convenience.

The CHAIRMAN. Senator Stevens, first of all let me thank you for all the help that you have given to the committee and to the small business legislation that has come to the floor of the Senate, as the assistant majority leader. Believe me, much of that legislation would never have seen the light of day had it not been for your efforts.

I look forward to hearing from Mr. Cox.

I am also, I might add, enlightened by the fact that you have some small businesses in Alaska. I thought all you had up there was all the big oil that we pay so much money for in the State of Connecticut. We are only a little small State. [Laughter.]

As you said, you know, hundred Connecticuts and maybe more than that would fit into Alaska. That is what makes your effort on behalf of small business, I think, all the more significant. Any time that you have some entrepreneurs up there that want to run a direct pipeline to the Northeast, we would love that.

Senator STEVENS. No, Mr. Chairman, you have it backward. The headquarters of the big businesses are in Connecticut. [Laughter.]

The CHAIRMAN. That's true. [Laughter.]

Senator STEVENS. Thank you very much.

The CHAIRMAN. Now I believe what we want to do at this juncture is to allow the Administrator to give his statement, and then we will move from him to Mr. Cox, or if you want to do it some other way, Jim, you do this any way that you want to.

Mr. SANDERS. No, I think that would be proper. I think the Senator has introduced him and expressed his position on it. I will read my statement, and then Frank can take off from there. That would be fine.

The CHAIRMAN. All right.

STATEMENT OF HON. JAMES C. SANDERS, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION

Mr. SANDERS. Mr. Chairman, I want to thank you for the opportunity to appear before you today to discuss the Small Business Administration and the direction it is taking to become an agency that is responsive to the needs and the interests of the community that it represents.

There is a great difference between small business and the Small Business Administration. The needs of the Nation's most prolific source of new jobs and economic growth have not always been met by the services of the Agency that was created 30 years ago to address them.

We have made a conscious effort to communicate with our constituency and to determine how we can redirect our resources to really assist small businesses in the areas that they think are important. What we can do best is to listen to small business and to see where our assistance can be valuable.

Our statutory mandate to aid, counsel, and assist small business takes many forms. Our general authorities derive from this broad mandate. Specific programs to address the management, financial, contracting, and other concerns of the entrepreneur have been authorized, and we administer them through 117 field offices.

However, we have made an effort to review all SBA's programs and have made many recommendations to adjust accordingly. In the final analysis, however, our success will be measured by the creativity and the leadership that we bring in assisting small businesses in areas where they have clearly communicated their needs to us.

As you are aware, this direction has been addressed by my statements before the committee and comments I have made around the country. In listening to small business we found, for example, that they don't want direct loans because they are not helpful to the greatest number of small businesses. In order to assist a wider spectrum of businesses, what is required is a more creative approach using other nongovernmental resources.

It may seem rather obvious that an agency whose mission is to aid, counsel, and assist small business should listen to its constituency, but this has not always occurred in the past. It is almost as if small business has been going in one direction and the SBA in a contrary one, one which is perceived as not being helpful to small business.

The Congress recognized this as a problem, and addressed it by creating the Office of Advocacy. Clearly, however, the attitude of advocacy should prevail throughout our entire organization, especially in our field offices, if small business is expected to respect the important role that I believe the SBA can play.

It is not enough for the SBA leadership in Washington to understand only what the major trade associations are looking for, though their input is important. Our most accurate barometer really comes from the businesses themselves on the most local of all levels, our field offices.

To quote one of our strong small business advocates, the regional Administrator in Chicago, Dick Durkin, this is where the rubber meets the road; this is where the day-to-day working relationship with small business is established. It is, therefore, appropriate that in addition to our communications from the central office to Capitol Hill, that the committee is using this opportunity to hear how several of our field offices implement that national policy.

With a new emphasis being placed on State and local government activities, our Office of Advocacy conducts an annual conference for State and local officials and legislators to apprise this level of public servants of the needs of small business. You are going to hear shortly from Frank Cox that this type of homework has had significant results for small businesses in his State. We have come to realize that Washington is not the only place where laws affecting our constituency are made.

Since becoming the Administrator, I have sought to decentralize the agency's operations and return much of the decisionmaking process on program delivery to the field offices. An organization can only be as good as its people. With all the structures in place, it is the people who still make the difference. This is the essence: The qualities of leadership that I have seen in key SBA personnel over the past 2 years, especially in our field forces, is what makes the total difference.

Because of the unique working relationships that each regional Administrator has developed with their small businesses and their

local governments, we have been able to expand and enhance our role in the economy. This extra dimension of leadership has enabled the SBA to form partnerships with State and local government, lending institutions, universities, private investment companies, and other Federal agencies and large businesses as well.

You will be hearing later from our regional Administrator from Pennsylvania, Peter Terpeluk, about the high-tech innovation network that has been established among the universities in that State and also draws upon SBA financial and service sources for the purpose of providing technical and entrepreneurial assistance to small business. Irenemaree Castillo of our San Francisco regional office will relate how a coalition of SBA volunteers and a prestigious bank joined forces to provide relief to the many victims of natural disasters.

The results of these efforts can be measured in terms of contracts awarded, jobs created, businesses saved, and capital formed through investment, but the success has been more farreaching than that. Our field offices have established associations in every facet of small business that allows them to be at the forefront of economic development, urban revitalization, and technological innovation.

Mr. Chairman, a great deal of criticism is leveled at government for what it cannot do, its limitations and what requirements it extracts from those who wish to deal with it. Our agency was created by Congress for a purpose which many people feel that we have been unable or unwilling to perform—that of assisting small businesses with programs Congress has felt they needed.

These programs do not reflect all of the areas in which small businesses are involved. Our field offices are required to deliver a number of programs with limited resources. It is a difficult job which requires good management skills and that creativity which I mentioned. We are tailoring our agency to reflect a greater number of issues that are also characteristic of the dynamic nature of small business in the 1980's.

While realizing the mandate of the agency from Congress, we are seeking to exercise within the constraints of our legislative authority the most creative and far-reaching use of these resources that are available. In choosing this philosophy, we are keeping in mind that we are the agency whose constituency is the most innovative, the most imaginative, the most resourceful in our Nation's commercial sector, and also the source and the hope of most new job creation in this country. We can offer no less ourselves to those entrepreneurs who are the backbone of our economic system.

Accordingly, you have heard me say that we are following the path of "high-risk management." Like our small business counterparts, we may embark on a course that offers opportunity, but not without a great deal of effort and risk. We are willing to make that effort and to use our imagination as well, and that is where I can see we are succeeding, Mr. Chairman. We take our cue from small businesses that this is the kind of achievement that they look for, that comes from good management and good services and realizing that your most valuable resource is your people.

I think we are well on our way, and I would like to submit for the record some statements that each of our regional Administra-

tors prepared on programs they have developed using this new approach. I think you and your colleagues will find them interesting. Some of them you have heard about in previous testimony, like our Small Business Development Centers and Certified Development Companies.

Hopefully some day we will have the opportunity to talk about a wonderful project that we have established in Michigan called the Downriver, that serves as a procurement center for businesses who wish to deal with the Government. Senator Levin was particularly supportive of that project, and I would like to take the opportunity to thank him for his endorsement of it.

In recognizing that most small businesses fail because of problems with management, our regional office in Atlanta has put together an ambitious new program of outreach on management assistance. Our Kansas City regional office has developed a number of educational programs and seminars that are proving to be well-received. You will be hearing more about these programs in your many dealings with the agency, and as we determine how many of these pilot programs can help reshape our national delivery.

Following me with oral testimony are three of the regional Administrators who are involved in projects never before attempted by our agency, that show great promise in the fields of investment, high technology innovation, and disaster relief. I might add that a great factor in the success of these programs has been the spirit of volunteerism that has been manifested in the private citizens who have offered their assistance to us and their communities.

Again, I would like to thank you, Mr. Chairman, for having us here. I welcome the opportunity to let Congress know the job that our field operatives are doing. They are a credit to the Federal service, and I am proud of their accomplishments. They exemplify what success is all about—good leadership and good management.

Thank you.

The CHAIRMAN. Jim, thank you very much. I just have one question. I have some questions for the record but I am going to keep the questions down to a minimum. As you know, we now have a cloture vote coming up at 11 o'clock and I want to make sure that everybody has the opportunity to give their statements. For that reason, I would ask that all witnesses now, following the Administrator, try to synopsize their remarks. Their statements will be included in the record in their entirety.

Now, Jim, the one thing that bothers me—and you and I have worked over the problem a long time—is this matter of direct loans. I, as the chairman of the Senate committee, have gone along with the wishes of the administration in this area.

However, in your statement you made the comment that in talking to small business people, they don't want direct loans. I have no doubt that in the main this is true, but I think that it depends on which small business person you are talking to.

I think I am also correct in the general observation that most of the small business community, the active small business community out there, is rather conservative. They, through the dint of their own imagination and hard work, have achieved success, and they feel that the principles that brought them to that success should apply to everyone else. I have no doubt that if you talk to most of

that small business community out there, they are going to say they don't want direct loans.

However, it seems to me the purpose of any small business program is to bring more and more persons into the mainstream of success through small business. For many minorities, that has only been achieved by virtue of a direct loan. What I am saying is, I feel that many members of the present successful small business community sort of feel that direct loans are a drain and "money down a rathole." On the other hand, that is pretty vital stuff to someone who doesn't have the credit ratings and doesn't have the track record of experience so necessary to normal relationships with the private banking community.

This has been a long question but it is an important one because an important policy decision has been made. I have gone along with that decision, but I also want it clearly understood that I have based my position on this issue on your assurances that you feel there are better ways of getting that minority community the assistance, the advice, the money that it needs.

That is what I would like to have you comment on.

Mr. SANDERS. Well, Mr. Chairman, let me say first of all that I agree with you that there are some areas of special need that the private sector doesn't seem so far to have responded to. Certainly, I would say, in the area of special activity for the handicapped there is probably no equivalent kind of supply of that need in the private sector.

We, of course, are saying by opposing direct lending that we feel that our efforts with our resources should be put totally into stimulating the private sector to increase its participation in lending to small businesses, minority or nonminority. Now I recognize there are several other cases of special need that crop up from time to time, and certainly one seems to be in the minority community. However, I have not despaired of trying to stimulate the private sector to address those needs, and to confront the financial and banking community with some of their deficiencies in responding to small business and the minority small business community in particular.

There are also some areas that are indicated to be capital-poor. I don't know that we have a quick answer to that. You would think that capital would flow to where the opportunity is, and we haven't sought out, perhaps, all of the answers. However, I still maintain that I think that we can stimulate the private sector with its more efficient reservoir of capital to respond to these needs.

It is my hope that we can continue in this direction and broaden the base of participation in all lending, without confusing the need of equity capital for that of debt leverage. That is always one confusion that arises constantly. You know as well as I do that sometimes the worst thing for a starting business is to acquire a heavy loan with regular payments. We recognized that we don't have all the answers, but we are trying to continue to move in the direction of stimulating the private sector to answer most all these needs.

The CHAIRMAN. Well, I thank you very much for your answer, for your statement, and most particularly I thank you for what you have done since you became the Administrator. I say with a great

deal of pride wherever I go that I think you're the best member of the Reagan administration, Cabinet or non-Cabinet, in office today.

Mr. SANDERS. Thank you.

The CHAIRMAN. I really mean it.

Mr. SANDERS. Thank you.

The CHAIRMAN. Coming from me, that's a hell of a compliment. [Laughter.]

Mr. SANDERS. I want to thank you on behalf of all the people behind me that make me look good.

The CHAIRMAN. Thank you very much.

Mr. SANDERS. I will turn it over to Mr. Cox.

The CHAIRMAN. Mr. Cox.

STATEMENT OF FRANK COX, DISTRICT DIRECTOR, SMALL BUSINESS ADMINISTRATION, REGION 10, ANCHORAGE, ALASKA

Mr. Cox. Senator, I would like to thank you for this opportunity to provide an overview of our role in assisting small business in Alaska. Your interest in learning more about the nature of small businesses in our State affirms President Reagan's support of this important sector of our free enterprise system. While Alaska offers formidable challenges, it holds abundant promise for the present and future small business people who form our free enterprise foundation.

My staff and I are understandably proud of our function in this dynamic small business environment. Under the leadership of two successful entrepreneurs, Administrator James Sanders and Regional Administrator Steve Hall, we have a renewed sense of purpose. This enabled us to broaden our impact on Alaska's small business community while increasing productivity and efficiency. For example, our fiscal year 1982 volume of financial assistance soared 300 percent over the prior year. In fiscal 1983, volume is running 15 percent ahead of 1982. At the same time, attrition trimmed the district's personnel to our lowest level in history.

The Anchorage district office of SBA is one of the five district offices in region 10, which consists of the States of Washington, Oregon, Idaho, and Alaska. Our total full-time staff numbers 22 positions, including a 2-person branch in Fairbanks. We administer SBA's programs for the entire State of Alaska with the exception of bond guarantees. Please keep in mind that Alaska has just 5 percent of the total population of region 10.

In the past 2 years our district's level of financial assistance has amounted to almost one-half of region 10's totals. During fiscal year 1982 we provided approximately $55 million of financial assistance to over 300 Alaskan firms in the form of direct loans and loan guarantees. During the first 9 months of fiscal 1983 we have already provided $48 million in financial assistance to over 200 Alaskan small businesses.

At a time when SBA financial assistance is down in the rest of the Nation, we have tripled our loan guarantee volume. The guarantee fees alone produced a cash income of $550,000 to our agency during fiscal year 1982, and have already generated over $480,000 cash income during the first three quarters of fiscal 1983.

The impact of over 500 small business loans during 1982 and 1983 on private sector employment and the tax base has been substantial. Since 97 percent of these loans were guaranteed, they did not require an outlay of Federal dollars. Rather, these loan guarantees generated a positive cash flow of nearly $1 million to the agency.

For guaranteed loans, SBA's financial exposure is on a contingency basis and the loan funds are originated by the private sector. Our present portfolio is approximately 2,400 loans and totals in excess of $150 million. We estimate that SBA is currently financing over 20 percent of the full-time small businesses in Alaska. To our knowledge, that is the highest percentage in the Nation. Our guaranteed loan program is the primary vehicle supplying long-term commercial credit to Alaska's small businesses.

Since 1975, the Anchorage district office has provided financial assistance to over 1,600 Alaskan small businesses, amounting to over $225 million. These firms, in turn, have provided a growing employment market. National studies indicate that small business produced over 90 percent of the net increases in private sector jobs between 1968 and 1976.

Of the approximately 1,600 firms receiving financial assistance since 1975, probably 1,500 have successfully surmounted the pitfalls and risks that cause failure. Assuming that each of these firms provided additional employment for five people, including the owners, each with an average taxable income of only $20,000 per year, then in the range of $24 to $28 million of Federal taxes is paid annually as a result of our financial assistance.

Compare this with the fact that only about 100 of the 1,600 SBA loans guaranteed since 1975 have been placed in liquidation because of bankruptcy or have been liquidated due to default. During this 8-year period, these loans amounted to less than 5 percent of the $220 million in financial assistance. Through liquidation of collateral and business assets, we have historically recovered about 85 percent or more of the amount going into liquidation. While the resulting writeoff constitutes a tiny percentage of our total financial assistance, it represents the component of risk that we accept to help nurture a progressive free enterprise system.

There is no doubt that a robust local economy contributed to our surge in financial assistance last year, but we attribute the major impetus for this growth to the implementation of an innovative financing relationship. In cooperation with bankers, State officials, and business leaders, we helped develop a program in Alaska. The Alaska Industrial Development Authority [AIDA] became a secondary market for SBA-guaranteed loans. Our role was one of initiating and advocating this cooperative effort that brings the State of Alaska, commercial banks, and SBA together.

On October 1, 1981, the Alaska Industrial Development Authority became a secondary purchaser of guaranteed portions of SBA-guaranteed loans. AIDA purchases these guaranteed debt instruments at a precommitted interest rate based on Moody's AA bond rate. The bank originating the loan passes this lower interest rate on to the borrower with either a 1 percent or a 1½ percent servicing fee, depending on whether the loan is over or under $100,000.

The additional 0.5 percent is an incentive for the lender to make small loans.

The benefits of this program are realized by all parties involved with the loan. First, our small business borrowers may secure a lower interest rate on their loans, as AIDA's AA bond rate is passed on to them with a nominal servicing fee. Until the recent dramatic prime rate slide, our guaranteed loans were made at prime or below. Participating lenders received an excellent yield on their exposure and can leverage their funds. AIDA obtains an attractive, riskless return with a minimal administrative cost. The SBA/AIDA/bank program has enabled us to serve as a more effective catalyst in the process of financing a sizable portion of Alaska's independently owned enterprises.

Thank you very much. I would be glad to answer questions, Senator.

[The prepared statement of Mr. Cox follows:]

Statement of Frank D. Cox
District Director of Anchorage District Office
U.S. Small Business Administration

Thank you for this opportunity to provide an overview of our role in assisting small businesses in Alaska. Your interest in learning more about the nature of small businesses in our State affirms President Reagan's support of this important sector of our free enterprise system. While Alaska offers formidable challenges, it holds abundant promise for the present and future small business people who form our free enterprise foundation. My staff and I are understandably proud of our function in this dynamic small business environment. Under the leadership of two successful entrepreneurs, Administrator James Sanders and Region X Administrator, Stephen Hall, we have a renewed sense of purpose. This has enabled us to broaden our impact on Alaskan small business while increasing productivity and efficiency. For example, our Fiscal Year 1982 volume of financial assistance soared 300% over the prior year, and Fiscal 1983 volume is running 15% ahead of 1982. At the same time attrition trimmed the district's personnel to our lowest level in history.

The Anchorage District Office of SBA is one of five district offices in Region X which consists of the states of Washington, Oregon, Idaho, and Alaska. Our total full time staff numbers 22, including a two person branch in Fairbanks. We administer SBA's programs for the entire state of Alaska, with the exception of the bond guarantees. Please keep in mind that Alaska has just 5% of the total population in Region X.

In the past two years our district's level of financial assistance has amounted to almost 1/2 of Region Ten's total. During fiscal year '82, we provided approximately 55 million dollars of financial assistance to over 300 Alaskan firms in the form of direct loans and loan guarantees. During the first 9 months of fiscal '83, we have already provided 48 million dollars in financial assistance to over 200 Alaskan small businesses. At a time when SBA financial assistance is down in the rest of the nation, we have tripled our loan guarantee volume.

23-873 O—83——3

The guarantee fees alone produced a cash income of $550,000 dollars to our agency during FY 1982, and have already generated over $480,000 cash income during the first three quarters of fiscal '83. The impact of over 500 small business loans during 1982 and 1983 on private sector employment and the tax base has been substantial. Since 97% of these loans were guaranteed, they did not require an outlay of federal dollars. Rather, these loan guarantees generated a positive cash flow of nearly a million dollars to the agency. For guaranteed loans, SBA's financial exposure is on a contingency basis and the loan funds are originated by the private sector. Our present portfolio is approximately 2,400 loans and totals in excess of 150 million dollars. We estimate that SBA is currently financing over 20% of the full-time small businesses in Alaska. To our knowledge, this is the highest percentage in the nation. Our guaranteed loan program is the primary vehicle supplying long term commercial credit to Alaskan small businesses.

Since 1975, the Anchorage District Office has provided financial assistance to over 1600 Alaskan small businesses amounting to over 225 million dollars. These firms in turn have provided a growing employment market. National studies indicate that small business produced over 90% of the net increase in private sector jobs between 1968 and 1976. Of the approximately 1600 firms receiving financial assistance since 1975, probably 1500 have successfully surmounted the pitfalls and risks that can cause failure. Assuming that each of these firms provides additional employment for 5 people including the owners, each with an average taxable income of only $20,000.00 per year, then in the range of 24 to 28 million dollars of federal tax is paid annually as a result of our financial assistance. Compare this with the fact that only about 100 of the 1600 loans SBA has made or guaranteed since 1975 have been placed in liquidation because of bankruptcy or have been liquidated due to default. During this eight year period, these loans amounted to less than 5% of the 220 million dollars in financial assistance.

Through liquidation of collateral and business assets, we historically recover about 85% or more of the amount going into liquidation. While the resulting write off constitutes a tiny percentage of our total financial assistance, it represents the component of risk that we accept to help nurture a progressive free enterprise system.

There is no doubt that a robust local economy contributed to our surge in financial assistance last year, but we attribute the major impetus for this growth to the implementation of an innovative financing relationship. In cooperation with bankers, state officials, and business leaders we helped develop a program in which Alaska Industrial Development Authority "AIDA" becomes a secondary market for SBA guaranteed loans. Our role was one of initiating and advocating this cooperative effort that brings the State of Alaska, commercial banks and SBA together. On October 1, 1981, the Alaska Industrial Development Authority became a secondary purchaser of the guaranteed portion of SBA guaranteed loans.

"AIDA" purchases these guaranteed debt instruments at a precommitted interest rate based on Moody's AA bond rate. The bank originating the loan passes this lower interest rate on to the borrower with either a 1% of 1 1/2% servicing fee depending on whether the loan is over or under $100,000. The additional 1/2 percent is an incentive for the lender to make the smaller loans.

The benefits of this program are realized by all parties involved with the loan. First, our small business borrowers may secure a lower interest rate on their loans as "AIDA's" double A bond rate is passed on to them with a nominal servicing fee. Until the recent dramatic prime rate slide, our guarantee loans were made at or below prime. Participating lenders receive an excellent yield on their exposure and can leverage their funds. "AIDA" obtains an attractive riskless return with minimal administrative cost.

The SBA/AIDA/Bank program has enabled us to serve as a more effective catalyst in the process of financing a sizable portion of Alaska's independently owned enterprises.

Without sound management in small business, all of our loan assistance is to no avail. The tragedy of business failure extends well beyond obvious losses to SBA and the bank. In these cases, the pride, health, savings, and career of the borrowers absorb a particularly severe blow. This is why we give heavy emphasis to the need for business development. We feel our business development services are especially valuable to prospective as well as existing small business people. The Anchorage District Office has one Management Assistance Officer and an Assistant District Director for Management Assistance. Both the University of Alaska and Alaska Pacific University in Anchorage actively participate in SBA's Small Business Institute Program which provides student counseling services to about 20 small businesses each year. With few management counseling resources to leverage, the two management assistance officers deliver nearly all counseling services as well as initiate and coordinate management training programs.

In the past six years, the Anchorage District Office Management Assistance Program has completed 8000 management counseling actions or sessions. Our counseling services can cover a host of management areas including start up considerations, breakeven analysis, cash flow planning, preparing a loan proposal, marketing strategies, recordkeeping and accounting, and much more. Our two management assistance officers have 11 years of experience working with a multitude of Alaskan small business.

Due to lack of counseling resources that can be leveraged by our District, we have aggressively pursued the development of small business management training programs that reach thousands of Alaskans. Recognizing that entrepreneurs need the management edge in achieving success, SBA has been a leader in designing, initiating, arranging and implementing practical management seminars and courses with Community Colleges, Chambers of Commerce and myriad Professional Trade Associations throughout Alaska.

On a per capita basis, we estimate that in FY '83 the Anchorage District Office provided over 5 times as much management training as the national average. During the past six years, we have co-sponsored 500 small business courses and seminars with a total attendance level of nearly 20,000. Significantly, this attendance level includes 8,500 women or 42% of the total and 3,100 minorities amounting to 15% of all attendees. On a per capita comparison, we typically have doubled or tripled the national average attendance level for women and minorities. In addition, each year SBA has provided Alaskans with several thousand free management assistance publications and brochures encompassing 125 different titles. Our continuing in-depth counseling has resulted in the success and continued growth of companies whose total yearly sales equal 45 million dollars and who employ 150 people in the Anchorage area. These are dollars and jobs that would not exist without our continuing assistance.

For FY '84 we are planning to co-sponsor at least 120 training units with attendance figures totaling over 7,500 people. This represents a 30% growth in total training activity for Alaska.

During FY '83, three venture capital firms were licensed as small business investment corporations; National Bank of Alaska, Calista Native Corp., and Alaska Pacific Bank Corp. These new licenses represent a significant addition to Alaska's venture capital capability.

In April of this year, Alaska's first "503" development company, Railbelt, Inc., was certified. The "503" program has been extremely successful in the lower 48 and we anticipate the same success in the state of Alaska.

Another important management counselling resource is the "7j" assistance program which permits us to contract with private firms for the delivery of consulting services to economically and socially disadvantaged businesses.

23-873 O—83——4

In the past 6 months we have spent over $59,405 on management consulting services for our "8(a)" approved firms. Since September, these minority owned businesses have received 1440 man hours of consulting in such areas as accounting, marketing, and engineering. Under the "8(a)" program the SBA obtains contracts from federal agencies then subcontracts to our "8(a)" qualified firms. This process affords minority firms the opportunity to build their bonding, management, financial, and competive strength. We now have 28 "8(a)" approved businesses representing 20% of the Region's total. However, our district accounts for one third of the Regions 8(a) contract awards. For FY '82 our 8(a) contract activity amounted to nearly 18 million dollars. Black owned firms performed 60% of this volume, Hispanic - 18%, Native - 12%, Indian - 2%, and Asian - 8%. As an indication of their progress, about one fifth of our 8(a) firms now have bonding capacity of at least 1 million dollars and many others are well on the way to approaching this capacity.

Addressing the problem that bonding poses for small business is the purpose of our Performance Bond Guarantee Program administered by our Regional Office in Seattle. During the preceeding three fiscal years, SBA has guaranteed 1,279 bonds in Alaska totalling 184 million dollars. These guarantees resulted in 412 actual contract awards totalling 57 million dollars. While statistics pertaining only to Alaska are not available, Regional figures indicated that approximately 15% of our bond guarantees are for minority owned firms. To increase SBA's effectiveness in Alaska, we recommend increasing our Bond Guaranty limit from the current one million dollar maximum up to at least on and a half million dollars. Other recommendations will be pursued through the avenue of advocacy.

In conclusion, SBA is working on many fronts to serve our Alaskan small business community. We are pleased to be an integral part of small business development in this exciting state.

I will be happy to answer any questions you may have at this time.

The CHAIRMAN. Mr. Cox, thank you very much. I do have questions which I am going to submit for the record, but I want to give the others an opportunity to speak before we break. Thank you.

Mr. Cox. Thank you, Mr. Chairman.

The CHAIRMAN. The second panel consists of Irenemaree Castillo, the regional Administrator of the Small Business Administration in region 9; Mable Bell, vice president and manager of community relations at the Bank of America in San Francisco; and Paul Kirschner, chairman of the San Francisco SCORE/ACE chapter 10, Small Business Administration, San Francisco.

Let's all sit down and make yourselves comfortable. We will make sure we get everything lined up here. Please go ahead and proceed in any way that you deem fit.

It is nice to have Senator Tsongas from Massachusetts, who has just joined us.

STATEMENT OF IRENEMAREE CASTILLO, REGIONAL ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION, REGION 9, SAN FRANCISCO, CALIF.

Ms. CASTILLO. Mr. Chairman and members of the committee, I am pleased to speak to you today regarding the cooperative efforts of SBA, the Bank of America, and the Service Corps of Retired Executives and Active Corps of Executives in providing assistance to victims of our recent natural diasters in California. I am joined today by leaders of these two groups: Mrs. Mabel Bell of the Bank of America and Mr. Paul Kirschner, chairman of the San Francisco chapter of SCORE and ACE.

Region 9 of the Small Business Administration includes the States of California, Nevada, Arizona, and Hawaii, and since last fall this region has been afflicted by a greater variety of disaster situations than any other region in the country. We have experienced earthquakes, flooding, extensive snow, mudslides, high tides, fires, extensive rain, high winds, a tornado, and a hurricane. Presently a volcano erupting in Hawaii has the potential of creating yet another disaster.

Needless to say, the beginning months of this fiscal year have been extremely busy for the SBA disaster area office, the agency district offices, and those volunteers from private sector and nonprofit organizations. Since last October we have provided information to over 23,000 people, which resulted in approximately 4,000 loans having a total value of almost $49 million. I am submitting for the record statistical summaries of fiscal year 1983 activity and also figures for the recent Coalinga, Calif. earthquake.

The reduced resources of the Federal Government have made it necessary for SBA to seek out cooperative assistance from private sector and nonprofit organizations in order to address the needs of the small business community. Fortunately, the agency's history of leveraging community resources in delivering many of our programs has enabled us to adapt to the present environment with perhaps less of a transition and more success than many other Federal agencies. We have had to make some difficult choices in establishing our priorities. We realize that we can no longer attempt to

be all things to all people at all times. We have chosen to provide quality over quantity assistance.

The circumstances surrounding disaster situations, intensive needs which demand rapid attention, highlight the absolute necessity for the Government—given our present resource constraints—to seek out and utilize private sector assistance in addressing these situations. I am pleased to report to you that in California, with the generous contributions of the Bank of America and SCORE and ACE volunteers, together we were able to meet the needs and provide quality assistance to those afflicted by the disasters.

I am now most pleased to invite Mrs. Bell and then Mr. Kirschner to describe to you the contributions of their organizations in responding to the disaster situations in California.

STATEMENT OF MABLE BELL, VICE PRESIDENT AND MANAGER, COMMUNITY RELATIONS, BANK OF AMERICA, SAN FRANCISCO, CALIF.

Ms. BELL. Mr. Chairman and members of this committee, it is a pleasure to be here today to discuss the Bank of America's role in disaster assistance through volunteerism in the State of California. In my position with the Bank of America as vice president, statewide manager of community relations, I direct the community and corporate volunteer programs and activities for the bank. These activities are in keeping with the ongoing community spirit of our bank, as demonstrated after the earthquake in San Francisco in 1906.

Through these programs, our bank officers continue to fulfill the commitment for assistance to the citizens within the communities they serve during major disasters throughout the State of California. The assistance provided following major floods, earthquakes, fire, and tidal damage has been mostly that of disaster relief interviewing at the disaster assistance centers in cooperation with the U.S. Small Business Administration, the American Red Cross, and other emergency agencies.

Within the past 2 years, the floods, mudslides, and the recent earthquake in Coalinga have created an increasing need to call upon bank officers to provide expertise and leadership. Concern for community welfare has come to be expected from our bank by the public we serve.

For example, in 1982 over 115 Bankamericans answered a call for volunteers to staff disaster assistance centers in cooperation with the American Red Cross. They also did casework in six counties while in two other counties, working with the U.S. Small Business Administration, volunteers interviewed disaster victims for disaster assistance to replace personal belongings, repair homes, and assist small businesses.

Not to be overlooked are the efforts of bank staff members who contributed their time to help process hundreds of donated checks for the San Francisco chapter of the Red Cross.

In 1983 we were again contacted by the U.S. Small Business Administration for volunteers for disaster assistance. They served in 11 centers located statewide and helped process the 22,282 interviews conducted by the SBA in California. The location of the cen-

ters, along with a list of the volunteers who worked in these centers, is included in my package of testimony.

In acknowledgement of the fine effort of each volunteer, James Sanders, the Administrator of the U.S. Small Business Administration, recently awarded individual certificates of appreciation to our volunteers in recognition of their outstanding community service.

The experience of the volunteers who worked in the centers has been very positive. They feel that the assistance given to the needy citizens of their respective communities was effective and timely. The training of our volunteers by the SBA was excellent, and the application forms used for the interviews were easily understood both by volunteers and the disaster victims.

In addition to the human resources provided, our bank has been helpful over the years in assisting in the location of space for the disaster centers. Examples are the Bank of America building made available in 1971, after the earthquake in the San Fernando Valley, and more recently the location assistance provided in Coalinga and Needles. We also have an ongoing commitment to make available desk space to the SBA to conduct disaster assistance on an emergency basis in field locations within the disaster areas.

I feel the disaster assistance process has been an outstanding example of public/private sector cooperation to benefit those in need at times of crisis.

In conclusion, Bank of America continues to meet the needs of the California communities through direct participation with the U.S. Small Business Administration through a number of assistance programs. We are presently examining a project which, if adopted, will provide an effective vehicle for ongoing disaster assistance in the event of major future disasters.

Thank you very much.

The CHAIRMAN. Thank you very much, Ms. Bell.

We now have Mr. Paul Kirschner.

STATEMENT OF PAUL KIRSCHNER, CHAIRMAN, SAN FRANCISCO SCORE/ACE CHAPTER 10, SMALL BUSINESS ADMINISTRATION, SAN FRANCISCO, CALIF.

Mr. KIRSCHNER. Thank you. Mr. Chairman and members of the committee, it is a great honor to appear before you today to discuss how we in SCORE/ACE assisted the Small Business Administration during the disaster declarations.

Mr. Chairman, let me begin by explaining that the Service Corps of Retired Executives and Active Corps of Executives are volunteer groups who donate their time to assist prospective or present small business owners. In chapter 10 alone we have 70 members with diverse business expertise who perform counseling on a one-to-one basis and assist in various business training programs and workshops to improve the management skills of the prospective or present small business owners.

As of June 30, 1983, the past 6 months, chapter 10 has performed over 2,100 counseling sessions with small business clients, assisting them in all facets needed to perfect business management. In the San Francisco district office the SCORE/ACE personnel of all our

chapters have counseled over 4,700 clients during the same 6-month period.

Mr. Chairman, when various parts of northern California were declared disaster areas, the SCORE/ACE chapters were called upon to assist in the disaster assistance centers. On January 11, 1983, with just a few days notice, we were able to have 12 volunteers at the centers. This greatly assisted SBA's ability to service these centers and their clients. This was done in cooperation with the Small Business Administration and FEMA.

The SCORE/ACE volunteers assisted in expediting applications to small business owners affected by the disasters. There were a total of four disaster assistance centers manned in our area. Two SCORE/ACE volunteers, Messrs. Robert Lane and Sam Reynolds, despite ill health, volunteered their services to assist needy victims of the disasters. In addition, when the devastating earthquake hit Coalinga, Calif., on May 6, 1983 SCORE/ACE again was ready to assist in staffing the disaster assistance centers to expedite help to the disaster business victims.

Mr. Chairman, as a matter of information, the FEMA disaster assistance centers are set up as one-stop assistance locations in the designated disaster areas, to have all the needed governmental agencies available for the most immediate help required by the disaster victims. FEMA is in charge of setting up the centers, coordinating assistance, and directing each person to the proper agency.

SBA, in its responsibility to give financial assistance, found that the use of SCORE/ACE and other volunteers can expedite and better control the paper flow to meet the needs of its applicants. As it has occurred many times, long lines of applicants await SBA assistance. SCORE/ACE has played a vital role in helping to reduce these lines and assisting the people with patience and consideration, allowing them to see that governmental agencies are caring and efficient in providing their much-needed help. SCORE/ACE volunteers have assisted in furnishing personnel, providing advice, assistance with the applications, and answering questions on SBA's disaster assistance program.

Mr. Chairman, in my position as the San Francisco district office outreach director as well as SCORE/ACE chapter 10 chairperson, I have had discussions with Mr. Lawrence Wodarski, District Director, SBA, San Francisco district office, about the advantages of setting up a SCORE/ACE disaster cadre from our various chapters to assist in like emergencies. This could be accomplished by FEMA-SBA-SCORE/ACE orientation workshops for SCORE/ACE volunteers to provide them with skills which would be of immediate use when a disaster occurs. SCORE/ACE volunteers could then be trained prior to the need, therefore insuring faster reaction time when the disasters occur.

In conclusion, we in SCORE/ACE who are donating our time to the small business community also help when disaster occurs, so that small business enterprises can be back on track as soon as possible.

Mr. Chairman, thank you for this opportunity of allowing us to present these facts to your committee, indicating the dedication of SCORE/ACE in assisting the small business community.

Thank you.

[The prepared statements of Ms. Castillo and Ms. Bell follow:]

STATEMENT OF

IRENEMAREE CASTILLO, Regional Administrator

San Francisco Regional Office

Small Business Administration

Mr. Chairman, Members of the Committee:

I am pleased to speak to you today regarding the cooperative efforts of SBA, the Bank of America, and the Service Corps of Retired Executives and Active Corps of Executives in providing assistance to victims of our recent natural disasters in California. I am joined today by leaders of these two groups; Mrs. Noble Bell of the Bank of America, and Mr. Paul Kirschner Chairman of the San Francisco Chapter of SCORE and ACE.

Region IX of the Small Business Administration includes the states of California, Nevada, Arizona, and Hawaii. Since last Fall this region has been afflicted by a greater variety of disaster situations than any other region in the country. We have experienced earthquakes, flooding, excessive snow, mudslides, high tides, fires, excessive rain, high winds, a tornado, and a huricane. Presently, a volcano, erupting in Hawaii, has the potential of creating yet another disaster.

Needless to say, the beginning months of this fiscal year have been extremely busy for the SBA Disaster Area Office, Agency District Offices, and those volunteers from private sector and non-profit organizations. Since last October we have provided information to over 23,000 people, which

resulted in approving approximately 4,000 loans having a total value of almost 49 million dollars. I am submitting, for the record, statistical summaries of Fiscal Year 1983 activity and, also, figures for the recent Colinga, California earthquake.

The reduced resources of the Federal Government have made it necessary for SBA to seek out cooperative assistance from private sector and non-profit organizations in order to address the needs of the small business community. Fortunately, the Agency's history of "leveraging" community resources in delivering many of our Programs has enabled us to adapt to the present environment with, perhaps, less of a transition, and more success, than many other federal agencies. We have had to make some difficult choices in establishing our priorities. We realize that we can no longer attempt to be all things, to all people, at all times. We have chosen to provide "quality" over "quantity" assistance.

The circumstances surrounding disaster situations, intensive needs which demand rapid attention, highlight the absolute necessity for the government, given our present resource constraints, to seek out and utilize private sector assistance in addressing these situations. I am pleased to report to you that in California, with the generous contributions of the Bank of America and SCORE and ACE volunteers, together, we were able to meet the needs and provide quality assistance to those afflicted by the disasters.

I am now most pleased to invite Mrs. Bell and Mr. Kirschner to describe to you the contributions of their organizations in responding to the disaster situations in California.

23-873 O—83——5

REGION IX

FY 1983 DISASTER CUMULATIVE ACTIVITY REPORT

Thru July 14, 1983

Reporting Categories	Interviews Held	Applications Received	Applications Approved		Disbursements	
			#s *	$$$	#s	$$$
Home	17,307	5,868	3,377	36,460.3	1,388	7,180.8
Business	5,838	1,210	581	12,159.2	146	872.6
Total	23,145	7,078	3,958	48,619.5	1,534	8,053.4

* Excludes 2,279 declines and withdrawals

REGION IX

DISASTER CUMULATIVE ACTIVITY REPORT

Coalinga Disaster Only
Thru July 7, 1983

Reporting Categories	Interviews Held	Applications Received	Applications Approved		Disbursements	
			#s	$$$	#s	$$$
Home	1,914	331 A,B	165	2,154.5	59	239.5
Business	325	83	28	1,850.0	1	2.3
Total	2,239	414	193	4,004.5	60	241.8

A - 545 automatic declines not included
B - 82 withdrawals & declines not included

STATEMENT OF
MABLE R. BELL, VICE PRESIDENT, BANK OF AMERICA
BEFORE THE
SENATE COMMITTEE ON SMALL BUSINESS

July 21, 1983

MR. CHAIRMAN AND MEMBERS OF THIS COMMITTEE:

IT IS A PLEASURE TO BE HERE TODAY TO DISCUSS THE BANK OF AMERICA'S ROLE IN DISASTER ASSISTANCE THROUGH VOLUNTEERISM IN THE STATE OF CALIFORNIA. IN MY POSITION WITH THE BANK OF AMERICA AS VICE PRESIDENT, STATEWIDE MANAGER OF COMMUNITY RELATIONS, I DIRECT THE COMMUNITY AND CORPORATE VOLUNTEER PROGRAMS AND ACTIVITIES FOR THE BANK. THESE ACTIVITIES ARE IN KEEPING WITH THE ONGOING COMMUNITY SPIRIT OF OUR BANK, AS DEMONSTRATED AFTER THE EARTHQUAKE IN SAN FRANCISCO IN 1906.

THROUGH THESE PROGRAMS, OUR BANK OFFICERS CONTINUE TO FULFULL THE COMMITMENT FOR ASSISTANCE TO THE CITIZENS WITHIN THE COMMUNITIES THEY SERVE DURING MAJOR DISASTERS THROUGHOUT THE STATE OF CALIFORNIA. THE ASSISTANCE PROVIDED FOLLOWING MAJOR FLOODS, EARTHQUAKES, FIRE AND TIDAL DAMAGE HAS BEEN MOSTLY THAT OF DISASTER RELIEF INTERVIEWING AT THE DISASTER ASSISTANCE CENTERS IN COOPERATION WITH THE U. S. SMALL BUSINESS ADMINISTRATION, THE AMERICAN RED CROSS AND OTHER EMERGENCY AGENCIES.

WITHIN THE PAST TWO YEARS, THE FLOODS, MUDSLIDES, AND THE RECENT EARTHQUAKE IN COALINGA HAVE CREATED AN INCREASING NEED TO CALL UPON BANK OFFICERS TO PROVIDE EXPERTISE AND LEADERSHIP. CONCERN FOR COMMUNITY WELFARE HAS COME TO BE EXPECTED FROM OUR BANK BY THE PUBLIC WE SERVE. FOR EXAMPLE, IN 1982 OVER 115 BANKAMERICANS ANSWERED A CALL FOR VOLUNTEERS TO STAFF DISASTER ASSISTANCE CENTERS IN COOPERATION WITH THE AMERICAN RED CROSS. THEY ALSO DID CASEWORK IN SIX COUNTIES, WHILE IN TWO OTHER COUNTIES, WORKING WITH THE U. S. SMALL BUSINESS ADMINISTRATION, VOLUNTEERS INTERVIEWED DISASTER VICTIMS FOR DISASTER ASSISTANCE TO REPLACE PERSONAL BELONGINGS, REPAIR HOMES, AND ASSIST SMALL BUSINESSES.

NOT TO BE OVERLOOKED ARE THE EFFORTS OF BANK STAFF MEMBERS WHO CONTRIBUTED THEIR TIME TO HELP PROCESS HUNDREDS OF DONATED CHECKS FOR THE SAN FRANCISCO CHAPTER OF THE RED CROSS.

IN 1983, WE WERE AGAIN CONTACTED BY THE U. S. SMALL BUSINESS ADMINISTRATION FOR VOLUNTEERS FOR DISASTER ASSISTANCE. THEY SERVED IN 11 CENTERS LOCATED STATEWIDE AND HELPED PROCESS THE 22,282 INTERVIEWS CONDUCTED BY THE S.B.A. IN CALIFORNIA. THE LOCATION OF THE CENTERS ALONG WITH A LIST OF THE VOLUNTEERS WHO WORKED IN THESE CENTERS IS INCLUDED IN MY PACKAGE OF TESTIMONY.

IN ACKNOWLEDGEMENT OF THE FINE EFFORT OF EACH VOLUNTEER, JAMES SANDERS, THE ADMINISTRATOR OF THE U. S. SMALL BUSINESS ADMINISTRATION, RECENTLY AWARDED INDIVIDUAL CERTIFICATES OF APPRECIATION TO OUR VOLUNTEERS IN RECOGNITION OF THEIR OUTSTANDING COMMUNITY SERVICE.

THE EXPERIENCE OF THE VOLUNTEERS WHO WORKED IN THE CENTERS HAS BEEN VERY POSITIVE. THEY FEEL THAT THE ASSISTANCE GIVEN TO THE NEEDY CITIZENS OF THEIR RESPECTIVE COMMUNITIES WAS EFFECTIVE AND TIMELY. THE TRAINING OF OUR VOLUNTEERS BY THE SBA WAS EXCELLENT, AND THE APPLICATION FORMS USED FOR THE INTERVIEWS WERE EASILY UNDERSTOOD BOTH BY OUR VOLUNTEERS AND THE DISASTER VICTIMS.

IN ADDITION TO THE HUMAN RESOURCES PROVIDED, OUR BANK HAS BEEN HELPFUL OVER THE YEARS IN ASSISTING IN THE LOCATION OF SPACE FOR THE DISASTER CENTERS. EXAMPLES ARE THE BANK OF AMERICA BUILDING MADE AVAILABLE IN 1971 AFTER THE EARTHQUAKE IN THE SAN FERNANDO VALLEY AND MORE RECENTLY THE LOCATION ASSISTANCE PROVIDED IN COALINGA AND NEEDLES. WE ALSO HAVE AN ONGOING COMMITMENT TO MAKE AVAILABLE DESK SPACE TO THE SBA TO CONDUCT DISASTER ASSISTANCE ON AN EMERGENCY BASIS IN FIELD LOCATIONS WITHIN THE DISASTER AREAS.

I FEEL THE DISASTER ASSISTANCE PROCESS HAS BEEN AN OUTSTANDING EXAMPLE OF PUBLIC/PRIVATE SECTOR COOPERATION TO BENEFIT THOSE IN NEED AT TIME OF CRISIS.

IN CONCLUSION, BANK OF AMERICA CONTINUES TO MEET THE NEEDS OF THE CALIFORNIA COMMUNITIES THROUGH DIRECT PARTICIPATION WITH THE U. S. SMALL BUSINESS ADMINISTRATION THROUGH A NUMBER OF ASSISTANCE PROGRAMS. WE ARE PRESENTLY EXAMINING A PROJECT WHICH, IF ADOPTED, WILL PROVIDE AN EFFECTIVE VEHICLE FOR ONGOING DISASTER ASSISTANCE IN THE EVENT OF MAJOR FUTURE DISASTERS.

(Enclosure)

STATEMENT OF
MABLE R. BELL, VICE PRESIDENT, BANK OF AMERICA
BEFORE THE
SENATE COMMITTEE ON SMALL BUSINESS

STATE OF CALIFORNIA DISASTER CENTERS	BANK VOLUNTEERS	REGIONAL DISASTER VOLUNTEER COORDINATORS
COALINGA	KEN BASSO SHARON BLAIR	MARLENE MORD
HOLLISTER	MARCIA HOBBS MARIE HARRIS	
CENTRAL LOS ANGELES	MATTIE SPARKS DOUGLAS SALMONSON JANICE HAWKS JENNIE TUGGLE	TOM BEELER DUANE KEENE
MONTEREY	JERRY LUCIDO	
NAPA	MARION AULT	GORDON BERG
NEEDLES	DICK SPEARS JOHN COCHRAN JOHN BORA J. WILLIS	STUART MCFARLAND
SAN JOSE	MARIE HARRIS SHARON KOST	DIANE FLAVETTA DAVE LAMBERTI
SAN RAFAEL	FRANK D'AMICO	
VALLEJO	JACKIE WESTON BELL	
WATSONVILLE	MARCIA HOBBS JERRY LUCIDO LINDA KOFFMAN	

14 OTHER VOLUNTEERS WERE IDENTIFIED AND ON STANDBY CALL FOR ALL THE ABOVE CENTERS BUT WERE NOT UTILIZED.

INFORMATION AS OF JULY 7, 1983

Coalinga	Coastal Flood Mudslides	Home & Personal Property Loans
11 1/2%	11.58%	If other cr available
5 5/8%	5.7/8%	Used when other cr sources are not available
		Business Disaster
10 1/2%	11.00%	If other cr available
8%	8%	Used when other cr sources are not available
11 3/8%	11.3/8%	Churches, service agencies and non-profits

Interviews	Loan Application Received From Interviews	Application Approved	Disbursed Loans
#22,282	#6979	#3605	#1306
$44,038,800			$6,402,900

Figures from the Colorado River disaster are not yet available.

ASSISTANCE BY BOFA ON LOANS DURING DISASTER:

- Waiver of Bank fees (loan origination) and late charge fees
- Moritorium on payments
- Revision of payment schedules

Historically, our Bank provides assistance to our clients who have loans with us who have been adversely affected by disasters. We always endeavor to play a complimentary role to that of the SBA programs and strive not to be in direct competition with the disaster loan asssistance programs they make available to the public in the disaster area where we have banking units.

The CHAIRMAN. Thank you very much, and I thank all members of the panel for bringing their perspectives to the committee as to what is actually going on there in field. I thank you for taking the time. Your testimony in its entirety will be included in the record and, I am sure, will be gone over in detail both by the staff and the other committee members.

Thank you very much.

Ms. CASTILLO. Thank you, Mr. Chairman.

Ms. BELL. Thank you.

Mr. KIRSCHNER. Thank you.

The CHAIRMAN. The next panel of witnesses consists of Peter Terpeluk, the regional administrator of Small Business Administration region 3; James Pickard, secretary, Department of Commerce, Commonwealth of Pennsylvania; and Susan Garber, State director, Pennsylvania Small Business Development Center Consortium at the Wharton School of Finance.

Several of you testified a couple of days ago before this committee. I saw Secretary Pickard walk in and I said, "Gee, that is a familiar face." Pennsylvania is sort of living in Washington for the time being, isn't it?

Mr. TERPELUK. Oh, no, not us, Senator. We have a difficult time finding our way down here.

The CHAIRMAN. Well, I want you to go ahead, and extend my best to your Governor, for whom I have a great admiration, a fine, fine person. You go ahead and proceed in any way that you have so arranged, and all statements will be included in their entirety in the record.

Mr. TERPELUK. Thank you, Mr. Chairman. As a person from the field, you can fully appreciate we don't have an opportunity to get to Washington too often, and when we do we want to make every effort to shine, especially us from Pennsylvania.

STATEMENT OF PETER TERPELUK, REGIONAL ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION, REGION 3, BALA CYNWYD, PA.

Mr. TERPELUK. It is a distinct honor and pleasure to be here today.

Under the leadership of Dick Thornburg, Governor of Pennsylvania, and in cooperation with the Small Business Administration's Office of Private Sector Initiative headed by Bill Scharf, who is here with us today, a bold new cooperative effort between business and the universities, the State and the Federal Government, has been put together. The fruits of this public/private initiative will mean more jobs and opportunities for all Pennsylvanians.

This is a period of accelerating change in our Nation. The technological revolution has made the dreams of 20 years ago the commonplace of today. How we position ourselves with the new resource systems to wage that revolution during the coming years will directly affect not only our domestic standard of living but our very role as a superpower in the world economy.

Dick Thornburg, through the Ben Franklin Partnership, has laid the groundwork to insure that as the decade progresses, the Commonwealth of Pennsylvania will play the same pivotal role in high technology as it did during the industrial revolution of 100 years ago. We at the SBA are pleased to play a part in this project.

In the past an extraordinary number of great innovations of our country have come from the small business sector. The marvels of innovations such as xerography, the polaroid camera, the minicomputer, and the vacuum tube are all products of the fertile genius of the small entrepreneur, yet the field of high technology, while offering small business some of the greatest opportunities, also offers some of the greatest burdens and most seemingly insurmountable obstacles.

In a nutshell, what the State's Ben Franklin Partnership and the SBA's on line demonstration project will do, is enable these businesses to locate and make use of the tremendous advanced technology resources already existing throughout the State. This is not a program to direct or control research and development. No new layers of bureaucracy will be created. Rather, the SBA's role will be one of catalyst, facilitator, and broker to help the Commonwealth unleash the creative power of the entrepreneur now able, through this partnership, to know of and use advanced technology.

The SBA on-line partner will be providing $260,000 to the project this year, to be matched dollar-for-dollar by private funds. This initial phase will inventory and computerize the resources already existing in the State, the identities of the advanced technology firms operating, and catalog their needs.

Later funding, and again matched by private moneys, will result in a firm being able to work with one of the four area advanced technological centers to satisfy a broad range of needs. With this

one stop, a business will be able to receive assistance in everything from basic research to plant site selections to locating capital for product expansion. All of it will be computerized and all of it will be accessible at the touch of a button.

Beyond its actual funding, however, region 3 of the SBA will make an even larger commitment to this project. So crucial is the program that I have made a personal commitment, along with Jim Sanders' commitment, to Gov. Dick Thornburg to further assist high-tech firms in accessing their SBA resources such as the 503 loan guarantees, small business innovation research grants, and corporate sector resources. SBA's Office of Private Sector Initiatives will work closely with us through the dedicated commitment of Marshall Parker.

We feel confident that this national demonstration project will show just how effective the SBA, through the SBDC's, can be in promoting high technological firms. Perhaps other States will be encouraged to follow Dick Thornburg's lead in establishing the partnership. Through this private/public cooperative effort we are charting new ground and are taking the steps necessary to insure that tomorrow's opportunities for our children are greater than anything we could ever dream of today.

Senator, this is an extremely exciting, innovative approach which is extremely uncommon to the SBA. As a regional administrator I am just delighted to be a part of it at a very exciting time in the Commonwealth of Pennsylvania.

I would like to turn over the testimony now to a dear friend and a person I have worked the trenches in Pennsylvania with on several occasions, Jim Pickard, the secretary of commerce.

Jim.

STATEMENT OF JAMES O. PICKARD, SECRETARY OF COMMERCE, COMMONWEALTH OF PENNSYLVANIA

Mr. PICKARD. Thank you, Mr. Chairman, members of the committee. I am going to condense my remarks, since as you have indicated, Senator, the full statement will be included in the record. I would, however, like to share just a few elements, if I could, of what we consider to be one of the most exciting and innovative programs in the Nation today that unites the potential of small business and emerging technology. I think it is particularly appropriate that the discussion coincides with the 30th anniversary of the Small Business Administration.

In Pennsylvania we have built a strategy to address the needs of our economy for the coming years. Basically it is a three-part program that has to do with maintaining our present industry, with encouraging the birth and startup and growth of small business, and selecting and attracting on a very selective basis those companies that exhibit the ability to show growth, particularly when coupled with the newer technologies.

Accordingly, the Ben Franklin Partnership which Governor Thornburg proposed to our general assembly in 1982 has developed as a catalyst to both small business and advanced technology growth, by pooling the resources of academia, business, local government, and a variety of other organizations. The thing that I

would like to stress about the Ben Franklin Partnership is that it is not money for bricks and mortar. It does not put money into pure academic research and development, and it does not merely throw money at economic development. It does not put all of our eggs in one basket or one industry, such as microelectronics, or even one sector, such as high-tech.

We have established, with our first year appropriation of $1 million by the general assembly that was matched by $4.1 million from the private sector, four centers throughout the State, each center responsible for providing joint research and development in concert with the private sector, for example, biotechnology or computer-assisted design or computer-assisted manufacturing; for education and training both for displaced workers and those new to the work force; for entrepreneurial assistance, linking research and development, entrepreneurs, venture capital, and other vital elements necessary to spin off the new small firms.

We have been extremely encouraged by the first year of activities, to the extent that the general assembly just in recent weeks has given us our new appropriation for this coming year and increased it by tenfold. We now have a $10 million appropriation on the part of State government and we feel quite confident that the private sector is going to, again, at least match that on a 1 to 1. We would hope and be optimistic enough to look for that 4 to 1 match that we had last year, but at any rate we are going to have a growing program, one that we are confident is going to meet our needs in Pennsylvania.

We are extremely pleased that we have been able to dovetail many of the efforts involving in the Ben Franklin Partnership with the efforts and with the personnel of the Small Business Administration. I think it is a wonderful example of Federal, State, private sector, and university resources working together toward a common goal of economic stability in a given area. We appreciate that help. We are most optimistic about it. We think that the Ben Franklin Partnership is going to serve as a real example nationally as to what can be accomplished in a workable consortium between the private sector, government, and our private universities and research groups.

I thank you for the opportunity to make these remarks this morning.

The CHAIRMAN. All right. We have as the last witness, Susan Garber. Go ahead.

STATEMENT OF SUSAN M. GARBER, STATE DIRECTOR, PENNSYLVANIA SMALL BUSINESS DEVELOPMENT CENTERS, THE WHARTON SCHOOL, UNIVERSITY OF PENNSYLVANIA

Ms. GARBER. Thank you, Mr. Chairman.

It is a pleasure to testify before you on this public/private initiative for small businesses in Pennsylvania. I stress that this is a new initiative but an exciting one.

The SBA in Region III, along with the Private Sector Initiatives Office and Pennsylvania's Ben Franklin Partnership, has provided the impetus to develop a project which we have titled the "National On-Line Demonstration to Foster the Growth of Small Advanced

Technology Business." The project is going to be administered by and implemented by the small business development centers in Pennsylvania.

I will spare you all the background on the SBDCs because it will be in the record and because Secretary Pickard testified in great length on Tuesday about it.

The CHAIRMAN. It is really a very active program. I have been very impressed with the SBDC program in Pennsylvania.

Ms. GARBER. Yes. Thank you.

The SBDC in Pennsylvania is administered at the University of Pennsylvania's Wharton School under the aegis of the Wharton Entrepreneurial Center, and it is a consortium of 13 universities which provide grassroots service throughout the entire State. We do have with us this morning Ms. Edith Ritter, who is the head of the Lehigh SBDC, one of our larger and more active centers located at Lehigh University.

The State of Pennsylvania has been actively reaching out to a certain sector of small businesses in the creation of the Ben Franklin Partnership program. The SBDCs are in a unique position to assist the State in these outreach efforts toward high-tech companies because of the number of businesses that we see in our normal course of business, the established reputation the SBDCs have in the small business community and the open lines of communication that we maintain with the small businesses.

In addition, the SBDC recognizes that it is also now on the frontline of a changing economy. We are seeing more innovative entrepreneurs coming through our doors, starting companies which have the potential for tremendous growth, and we recognize that these companies need specific types of help. Therefore, SBA and the SBDC's must structure themselves in innovative and creative ways to meet the needs of these types of businesses.

I will now try to describe for you this specific project, the national on-line demonstration project. It is joint effort initiated by SBA. Its specific agenda is to develop an easy access, integrated resource system in Pennsylvania for the advanced technology businesses. This may sound like a simple statement but it will require the efforts of all the related agencies in Pennsylvania.

The primary focus of the program is to identify in phase 1 and put on-line in phase 2 a complete profile of services and personnel that will be available to assist the small business technology firms. Another objective is to foster regular communication between public and private sector agencies which are participating in the system, in an effort to eliminate duplication and promote efficient leveraging of the human and financial resources. The final goal is to structure the project so that we can create an efficient program model that can be implemented by SBA in other regions.

The intent is to develop within the next 6 months a total picture of what is available in Pennsylvania for small technology-based companies; to begin to computerize those resources for instant access by the small entrepreneur; and to provide the basis for further development in areas where support is still needed.

As Pennsylvania fosters the growth of its technology companies, the businesses will provide support for each other and an environment will be created in which the existing and growing businesses

and the emerging businesses will all interact. This will create a fertile environment for the businesses in Pennsylvania. Government's role in this is to be a catalyst. It is the right role for the Government to take, and then to step back and let the private sector nurture itself.

I see the national on-line demonstration project as a tremendous contribution to this effort and an opportunity to capitalize on the original concept of the SBDC, a concept of linking university, Government, and private sector. The SBA, in cooperation with the Benjamin Franklin Partnership, has initiated the first of what I believe will be many innovative programs for small businesses. I am pleased that the SBDC has the opportunity to participate in such a challenging and worthwhile endeavor.

Thank you.

The CHAIRMAN. Thank you very much.

There probably are some questions that we will want to ask of the panel for the record, and those will be submitted. I thank you all very, very much for your testimony. Thank you.

The committee will stand in recess.

[Whereupon, at 10:55 a.m., the committee recessed, to reconvene at the call of the Chair.]

[The prepared statements of Mr. Terpeluk, Mr. Pickard, and Ms. Garber follow:]

STATEMENT OF
PETER TERPELUK, JR.
REGION III ADMINISTRATOR
SMALL BUSINESS ADMINISTRATION
BEFORE THE
COMMITTEE ON SMALL BUSINESS
U. S. SENATE

JULY 21, 1983

Mr. Chairman, Members of the Committee, it is a distinct honor to be able to testify before you today on a truly remarkable program. Under the leadership of Governor Dick Thornburg of Pennsylvania, and in cooperation with the Small Business Administration's Office of Private Sector Initiatives headed by Bill Scharf, a bold new cooperative effort between business, the universities, the State and Federal Governments has been put together. The fruits of this public/private initiative will mean more jobs and more opportunity for all Pennsylvanians.

This is a period of accelerating change in our Nation. The technological revolution has made the dreams of twenty years ago the commonplace of today. How we position ourselves with new resource systems to wage that revolution during the coming years will directly affect not only our domestic standard of living but our very role as a superpower in the world economy.

Governor Dick Thornburg, through the Ben Franklin Partnership, has laid the groundwork to insure that as the decade progresses the Commonwealth of Pennsylvania will play the same pivotal role in high technology as it did during the Industrial Revolution almost 100 years ago. We at the SBA are pleased to play a part in this project.

In the past an extraordinary number of the great innovations of our country have come from the small business sector. The marvels of inventions such as xerography, the polaroid camera the mini computer and the vacuum tube are all the product of the fertile genius of the small entrepreneur. Yet, the field of high technology, while offering small businesses some of the greatest opportunities, also offer some of the greatest burdens and most seemingly insurmountable obstacles. Laboratory research, the cost of highly skilled professional manufacturing, as well as a suitable marketing structure are often beyond the means of the average small business.

In a nutshell, what the State's Ben Franklin Partnership and the SBA's "On Line" Demonstration Project will do is enable these small businesses to locate and make use of the

tremendous advanced technology resources already existing in the state. This is not a program to direct or control research and development. No new layers of bureaucracy will be created. Rather, the SBA's role will be one of catalyst, facilitator and broker to help unleash the creative power of the entrepreneur now able thru this partnership to know of and use advanced technologies.

The SBA (as an "on-line" partner) will be providing $260,000.00 to the project this year, to be matched dollar for dollar by private funds. This initial phase will inventory and computerize the resources already existing in this state, the identities of the advanced technology firms operating, and catalogue their needs. Later funding, again matched by private monies, will result in a firm being able to work with one of the four area advanced technology centers to satisfy a broad range of needs. With this one stop, a business will be able to receive assistance in everything from basic research to plant site selections to locating capital for product expansion.

All of it will be computerized and all of it accessible at the touch of a button.

28-873 O—83——7

We feel confident that this National Demonstration Project will show just how effective the SBA through the SBDC's can be in promoting high technology firms. Perhaps other states will be encouraged to follow Governor Thornburg's lead in establishing Ben Franklin Partnership programs. When that happens, we know the Reagan Administration and the SBA will be there to help.

For in the end when we talk about high technology, when we talk about sophisticated electronic equipment and manufacturing processes what we are really talking about is jobs. This cooperative effort between the Commonwealth of Pennsylvania, the SBA and the private sector will result in a strong stable economic climate in the coming decades.

Through this private/public cooperative effort we are charting new ground and are taking the steps necessary to insure that tomorrow's opportunities for our children are greater than anything we could ever dream of today.

Thank you very much for the opportunity to speak to you. We're prepared to answer any questions the Committee might have.

STATEMENT OF
JAMES O. PICKARD
SECRETARY
PENNSYLVANIA DEPARTMENT OF COMMERCE
BEFORE THE
COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

JULY 21, 1983

Thank you Mr. Chairman and Members of the Committee for inviting me to appear today to discuss Pennsylvania's Ben Franklin Partnership. I am extremely proud to share with you what is considered to be one of the most exciting and innovative programs in the Nation today, one that unites the potential of small business and emerging technologies. It is particularly appropriate that this discussion coincides with the 30th anniversary of the Small Business Administration.

Pennsylvania's strategy for economic development basically consists of three phases. First, is to help our existing businesses so they stay in the state, expand and become more competitive in the international marketplace. Second, is to help small businesses start and grow, because as this Committee is well aware, small firms have and will create most of the Nation's new, long term job opportunities. Third, we focus on selectively recruiting new investment, primarily those in high growth fields - a good source of net, new jobs.

We intend to further diversify our economic base so we can better weather future economic downturns and take greater advantage of positive economic cycles.

We've developed a number of innovative programs to help small business, for example a Small Business Action Center which has responded to more than 2,600 calls from small business owners. But, today our topic is the Ben Franklin Partnership which Governor Dick Thornburgh proposed to our General Assembly in 1982 and which has developed as a catalyst to both small business and advanced technology growth by pooling the resources or academia, business, local government and a variety of other organizations.

The Ben Franklin Partnership is not money for bricks and mortar. It does not put money into pure academic R&D. It does not merely throw money at economic development. And, it does not put all of our eggs into one basket - one industry, such as microelectronics, or even into one sector, such as high tech.

The Ben Franklin Partnership does seek to bring new products to the market through competitive grant funding tied to long range planning and job creation. It does require private sector investment and participation, at the beginning while designing the research, thus putting private dollars up front, first, with the public dollars following this private sector commitment.

It did attract, with an initial state appropriation of $1 million, a total of $4.1 million in private sector and other resource funding. It has created four regional advanced technology centers which are consortiums of various participants with our leading research universities as a base.

Each center is responsible for providing; joint research and development in concert with the private sector, for example biotechnology or CAD/CAM; for education and training, both for displaced workers and those new to the workforce; for entrepreneurial assistance, linking R&D, entrepreneurs, venture capital and other vital elements necessary to spin off new, small firms. Centers also are providing small

business incubator space as well as technology transfer and other services. Each center's primary goal is to get new ideas--products of processes--into the marketplace as rapidly as possible.

Up and running for only six months, the centers already are placing small firms into incubator space and succeeding in other target areas, while generating national interest in our program.

Our legislature committed $10 million in this new state fiscal year to be awarded as "Challenge" grants, on a competitive basis, to the advanced technology centers. This appropriation will attract a minimum match of $10 million from the private sector and other resource organizations. In addition, the legislature has appropriated $300,000 to finance the new Ben Franklin Partnership "Seed" grant program, targeted specifically to small firms seeking to introduce new products into the marketplace.

We have an impressive list of firms involved in our advanced technology centers. The majority are small private sector firms. However, there also are larger firms participating: Hershey Foods, Bell Laboratories, Ingersoll Rand, Pfizer, Alcoa, Corning Class, Exxon, Gulf, Sears, Heinz, Rockwell, and more, with banks, utilities, newspapers venture captialists, labor organizations, and individuals as other partners. In fact, more than 1,700 companies and other organizations are involved.

Examples of joint research and development areas are: human adaptability in space, solid state microelectronics, agribusiness, energy conservation, the use of robotics in steel and coal production, and technology to benefit the handicapped. The use of CAD/CAM in manufactoring, primarily small manufacturing, has application to such traditional industries as appaerel. The Western Pennsylvania Center, for example, has teamed up with the Smaller Manufactures Council to establish a computer network among more than 1,400 firms to enable these traditional manufacturing industries to take advantage of technological innovation.

In Pennsylvania, we believe that advances in technology can be applied to all sectors to improve our economic health and preserve the standard of living which our workers have come to enjoy. New techniques applied to basic industry can make it more competitive, while improving worker safety and products. New technology can spinoff new enterprises. Our strengths in research and development, at our universities -- and Pennsylvania has four of the top 50 graduate research universities in the nation -- and at our private companies, can help us recruit new investment.

In fact, Pennsylvania is one of the few states to have a defined policy to encourage advanced technology, those innovations - whether process or products - that can modernize traditional industry as well as promote what commonly is called high tech, the more futuristic firms.

Pennsylvania has dynamic opportunities to form new enterprises spun off from the cutting edge research being undertaken at our colleges and universities. In such fields as robotics, biotechnology, electronic materials, CAD/CAM, and advanced sensors, new and effective partnerships are emerging among researchers, entrepreneurs, colleges and universities, and venture capitalists.

These partnerships also are occuring among all levels of government. The U. S. Small Business Administration's efforts to work through Pennsylvania's small business development center network to enhance the SBA's close working relationships with our Ben Franklin Centers are an excellent example of state/federal cooperation.

Thank you for the opportunity to share our program with you, and I'll be happy to answer any questions.

STATEMENT BY
SUSAN M. GARBER, STATE DIRECTOR, PENNSYLVANIA SMALL BUSINESS DEVELOPMENT CENTERS, WHARTON SCHOOL, UNIVERSITY OF PENNSYLVANIA
BEFORE THE SENATE SMALL BUSINESS COMMITTEE
JULY 21, 1983

THANK YOU MR. CHAIRMAN AND MEMBERS OF THE SMALL BUSINESS COMMITTEE. IT IS A PLEASURE TO HAVE THE OPPORTUNITY TO TESTIFY BEFORE YOU TODAY— — ON A NEW PUBLIC/PRIVATE INITIATIVE FOR SMALL BUSINESSES IN PENNSYLVANIA.

THE SMALL BUSINESS ADMINISTRATION IN REGION III, ALONG WITH THE SBA'S OFFICE OF PRIVATE SECTOR INITIATIVES AND IN COOPERATION WITH THE STATE OF PENNSYLVANIA'S BEN FRANKLIN PARTNERSHIP PROGRAM, HAS PROVIDED THE IMPETUS FOR THE DEVEOPMENT OF A "NATIONAL ON-LINE DEMONSTRATION TO FOSTER THE GROWTH OF SMALL ADVANCED TECHNOLOGY BUSINESS." THIS PROJECT WILL BE ADMINISTERED THROUGH THE SMALL BUSINESS DEVELOPMENT CENTERS.

LET ME TAKE A FEW MINUTES TO GIVE A BRIEF BACKGROUND ON THE SBDC PROGRAM AND HOW IT IS A NATURAL LINK IN THE "NATIONAL ON-LINE DEMONSTRATION PROJECT." THE SMALL BUSINESS DEVELOPMENT CENTER IN PENNSYLVANIA IS ONE OF TWENTY-THREE SMALL BUSINESS DEVELOPMENT CENTERS NATIONWIDE. THE SBDCS ARE A UNIVERSITY-BASED RESOURCE TO PROVIDE MANAGEMENT AND TECHNICAL ASSISTANCE TO SMALL BUSINESSES. THIS ASSISTANCE ADDRESSES A BROAD RANGE OF BUSINESS-RELATED PROBLEMS AND PROVIDES THE SMALL BUSINESS PERSON WITH PRACTICAL, HANDS-ON SOLUTIONS WHICH WORK. THE ASSISTANCE MAY COME IN THE FORM OF ONE-ON-ONE CONSULTING, SEMINAR AND WORKSHOP PRESENTATIONS, OR AS A RESULT OF A SPECIFIC PROGRAM DESIGNED TO MEET THE NEEDS OF A SPECIALIZED SECTOR OF THE SMALL BUSINESS COMMUNITY.

23-873 O—83——8

BEST COPY AVAILABLE

IN PENNSYLVANIA THE SBDC IS ADMINISTERED AT THE UNIVERSITY OF PENNSYLVANIA'S WHARTON SCHOOL UNDER THE AEGIS OF THE WHARTON ENTREPRENEURIAL CENTER. THE SBDC IS A CONSORTIUM OF THIRTEEN UNIVERSITY-BASED CENTERS WHICH COVER THE ENTIRE STATE OF PENNSYLVANIA. THE SBDCS ARE LOCATED AT BUCKNELL UNIVERSITY, CLARION STATE UNIVERSITY, DUQUESNE UNIVERSITY, GANNON UNIVERSITY, LASALLE COLLEGE, LEHIGH UNIVERSITY, PENNSYLVANIA STATE UNIVERSITY, ST. FRANCIS COLLEGE, TEMPLE UNIVERSITY, UNIVERSITY OF PENNSYLVANIA, UNIVERSITY OF PITTSBURGH, UNIVERSITY OF SCRANTON, AND WILKES COLLEGE. SIMILAR TO ALL OTHER SBDCS, THE PENNSYLVANIA PROGRAM RECEIVES 50% OF ITS FUNDING FROM THE SMALL BUSINESS ADMINISTRATION. THE REMAINING FUNDING COMES FROM THE PENNSYLVANIA DEPARTMENT OF COMMERCE, THE PARTICIPATING INSTITUTIONS, AND THE PRIVATE SECTOR. THIS PERMITS THE SBDC TO OFFER ALL OF ITS CONSULTING SERVICES FREE AND TO CHARGE ONLY A NOMINAL FEE FOR ITS SEMINARS AND WORKSHOPS.

THE SBDC HAS PROVIDED ASSISTANCE TO A LARGE NUMBER OF SMALL BUSINESSES IN PENNSYLVANIA. DURING 1981, 1663 BUSINESSES RECEIVED COUNSELING. THIS NUMBER INCREASED TO NEARLY 3000 IN 1982 AND IN THE FIRST QUARTER OF THIS YEAR, 903 SMALL BUSINESSES HAVE RECEIVED COUNSELING. IF THE FIRST QUARTER TREND CONTINUES; IT WILL RESULT IN AN INCREASE OVER THE PREVIOUS YEAR OF MORE THAN 75% AND A TRIPLING OF THE NUMBER OF BUSINESSES COUNSELED IN 1981. THE NUMBER OF PEOPLE PARTICIPATING IN SBDC EDUCATIONAL WORKSHOPS AND SEMINARS HAS SHOWN AN EQUALLY IMPRESSIVE GROWTH TREND. IN 1981, 2540 PEOPLE ATTENDED SEMINARS AND IN 1982, 3607. AGAIN THE FIRST QUARTER TOTALS FOR 1983 INDICATE A TREMENDOUS INCREASE OVER PREVIOUS YEARS, WITH 1704 SEMINAR PARTICIPANTS.

BEST COPY AVAILABLE

WHILE THESE FIGURES CLEARLY DEMONSTRATE THE GROWTH OF THE SBDC PROGRAM, IT IS MORE IMPORTANT FOR US TO EXAMINE THE GROWTH OF THE BUSINESSES WHO HAVE USED THE SBDC AND THEIR IMPACT ON THE PENNSYLVANIA ECONOMY. IN A CLIENT SURVEY CONDUCTED BY THE SBDCS IT WAS REVEALED THAT BUSINESSES ASSISTED BETWEEN OCTOBER 1979 AND DECEMBER 1982 CREATED OVER 8,750 NEW JOBS WITHIN THE COMMONWEALTH. USING THEIR MODEL FOR PENNSYLVANIA, CHASE ECONOMETRICS DETERMINED THAT THERE WERE 5,750 SECONDARY OR SPINOFF JOBS. THUS THE BUSINESSES WHICH WERE ASSISTED BY THE SBDCS WERE ACCOUNTABLE FOR OVER 14,500 NEW JOBS IN PENNSYLVANIA DURING A PERIOD OF DECLINING EMPLOYMENT.

THE SBDC PROGRAM IN PENNSYLVANIA RECOGNIZES THAT IT IS NOW ON THE FRONT LINE OF A CHANGING ECONOMY. COMING THROUGH OUR DOORS ARE THE COMPANIES OF THE FUTURE -- THE INNOVATORS AND DEVELOPERS OF OUR NEW TECHNOLOGICAL SOCIETY. THE COMPANIES ARE SMALL BUSINESSES NOW, BUT THE POTENTIAL FOR GROWTH IS STAGGERING AS THE SHORT BUT AWESOME HISTORY OF A FIRM LIKE APPLE COMPUTER ATTESTS. IT IS THESE BUSINESS WITH THEIR FLEXIBILITY AND OUTSTANDING GROWTH CAPACITY THAT WILL PROVIDE THE MECHANISM FOR ECONOMIC RECOVERY. IN THE LAST FEW YEARS PENNSYLVANIA HAS WITNESSED AN UPSURGE IN SMALL ADVANCED TECHNOLOGY BUSINESSES. BY ESTABLISHING THE BEN FRANKLIN PARTNERSHIP, THE STATE HAS BEGUN TO CREATE AN ENVIRONMENT CONDUCIVE TO THE FURTHER DEVELOPMENT OF THESE TECHNOLOGY-BASED FIRMS. THE SBDCS ARE IN A UNIQUE POSITION TO ASSIST IN THESE STATE-SPONSORED EFFORTS BECAUSE OF THEIR ESTABLISHED REPUTATION WITHIN THE SMALL BUSINESS COMMUNITY.

THE BEN FRANKLIN PARTNERSHIP MANDATED THE CREATION OF FOUR ADVANCED TECHNOLOGY CENTERS. A CORE COMPONENT OF THE ADVANCED TECHNOLOGY CENTERS

BEST COPY AVAILABLE

IS TO PROVIDE ENTREPRENEURIAL SUPPORT. THE SBDC IS A NATURAL VEHICLE TO DELIVER THIS SUPPORT WHICH INCLUDES DEVELOPING FEASIBILITY STUDIES, PROVIDING MARKETING STRATEGIES, AND IDENTIFYING FINANCING SOURCES INCLUDING VENTURE CAPITAL. TO FURTHER EXPAND AND ENCOURAGE INNOVATIVE TECHNOLOGY IN PENNSYLVANIA, THE SBDCS ARE COOPERATING WITH THE SBA AND THE BEN FRANKLIN PARTNERSHIP IN IMPLEMENTING THE "NATIONAL ON-LINE DEMONSTRATION PROJECT." THE AGENDA OF THIS PROJECT WILL BE TO DEVELOP AN EASY-ACCESS, INTEGRATED, STATEWIDE RESOURCE SYSTEM FOR ADVANCED TECHNOLOGY BUSINESSES.

THE PRIMARY FOCUS OF THE "NATIONAL ON-LINE DEMONSTRATION PROJECT" WILL BE TO IDENTIFY AND PUT ON LINE A COMPLETE PROFILE OF SERVICES AND PERSONNEL AVAILABLE TO ASSIST THE SMALL ADVANCED TECHNOLOGY-BASED FIRMS. ADDITIONAL OBJECTIVES OF THE PROJECT ARE: TO ENCOURAGE REGULAR COMMUNICATION AND COOPERATION AMONG THE PUBLIC AND PRIVATE SECTOR AGENCIES PARTICIPATING IN THE SYSTEM TO ELIMINATE DUPLICATION AND PROMOTE THE MOST EFFICIENT LEVERAGING OF HUMAN AND FINANCIAL RESOURCES; AND TO EVOLVE AN EFFECTIVE PROGRAM MODEL USING A METHODOLOGY THAT CAN BE READILY DUPLICATED AND IMPLEMENTED BY THE SBA IN ITS OTHER REGIONS.

THE SBDCS HAVE INITIATED THE FIRST PHASE OF THE PROJECT WHICH IS COMPRISED OF SIX TASKS: FIRM IDENTIFICATION; EDUCATIONAL PROGRAMS; COORDINATED COMPUTER INFORMATION SYSTEMS; CAPITAL FORMATION AND SITE LOCATION SYSTEMS; TECHNOLOGY DEVELOPMENT ASSISTANCE; AND TECHNICAL AND MARKET FEASIBILITY ASSESSMENT. IN COMPLETING PHASE I OF THE "NATIONAL ON-LINE PROJECT," THE SBDC WILL DRAW ON ITS EXISTING RESOURCE BASE AND SUBSTANTIAL

EXPERIENCE IN PROVIDING ASSISTANCE TO ADVANCED TECHNOLOGY COMPANIES. SEVERAL OF THE SBDCS HAVE ALREADY CONDUCTED SEMINARS ON TECHNOLOGY-RELATED TOPICS SUCH AS COMPUTER EVALUATION AND APPLICATION, R & D FUNDING SOURCES, AND HOW TO PREPARE FOR A PUBLIC OFFERING. THE SMALL BUSINESS LEGAL CLINIC AT THE WHARTON SBDC WILL BE EXPANDING ITS SERVICES TO ADVISE CLIENTS WITH PROBLEMS IN TECHNOLGY-RELATED AREAS SUCH AS INTELLECTUAL COPYRIGHTS AND PATENT PROCEDURES. THE CAD/CAM LEARNING CENTER AT THE BUCKNELL SBDC WILL CONTINUE TO DEMONSTRATE THE CAPABILITIES OF COMPUTER AIDED DESIGN AND MANUFACTURING TO SMALL MANUFACTURERS. BUCKNELL WILL ALSO REPEAT ITS VERY SUCCESSFUL CAD/CAM SEMINAR. IN AN EFFORT TO BEGIN ORGANIZING INFORMATION ON FINANCING ALTERNATIVES, SEVERAL SBDCS ARE IN THE PROCESS OF PRODUCING RESOURCE GUIDES TO VENTURE CAPITAL RESOURCES.

IN ADDITION, THE SBDC WILL USE THE VAST RESOURCES OF THE PARTICIPATING UNIVERSITITES INCLUDING THE ENGINEERING SCHOOLS, THE RESEARCH LABORATORIES, AND THE EXTENSIVE COMPUTER FACILITIES. THE SBDCS HAVE PREPARED THEMSELVES TO RESPOND TO THE EXPECTED INFLUX OF CLIENTS APPLYING FOR R & D FUNDS NOW AVAILABLE THROUGH THE SBIR PROGRAM. THE SBA AND THE SBDCS ARE CO-SPONSORS WITH THE DEPARTMENT OF COMMERCE IN A STATEWIDE SBIR CONFERENCE WHICH WILL BE FOLLOWED UP BY A SERIES OF REGIONAL CONFERENCES THROUGHOUT THE STATE.

WORKING WITH THE OTHER PUBLIC AND PRIVATE SECTOR INSTITUTIONS THAT COMPRISE THE FOUR ADVANCED TECHNOLOGY CENTERS, THE SBDC WILL HELP TO DEVELOP THE DATA BASE FOR A STATEWIDE COORDINATED MANAGEMENT INFORMATION SYSTEM -- A SYSTEM THAT WILL BE USED TO HELP TECHNOLOGY-BASED FIRMS THROUGH

THE DIFFICULT STAGES OF DEVELOPMENT BY PROVIDING THEM WITH EASY ACCESS TO STATE-OF-THE-ART INFORMATION.

THE FIRMS WHICH RECEIVE ASSISTANCE THROUGH THE COORDINATED EFFORTS OF THIS STATEWIDE PROGRAM WILL, AS THEY GROW AND DEVELOP, BECOME PART OF THE PRIVATE SECTOR SUPPORT SYSTEM FOR OTHER ADVANCED TECHNOLOGY BUSINESSES. IN THE SAME MANNER, THE RESULTS AND METHODOLOGIES USED IN RESEARCH AND DEVELOPMENT FOR ONE FIRM MAY FIND NEW APPLICATIONS AND IMPLICATIONS IN ANOTHER. THIS INTERACTIVE PROCESS WILL CREATE A MULTIPLIER EFFECT STIMULATING AN EVER-INCREASING PRIVATE SECTOR BASE TO ACT AS AN INCENTIVE FOR EMERGING TECHNOLOGY BUSINESSES. THIS PUBLIC/PRIVATE EFFORT WILL ENSURE THAT ADVANCED TECHNOLOGY FIRMS WILL FIND PENNSYLVANIA TO BE NOT ONLY A TESTING GROUND FOR NEW IDEAS BUT ALSO A BREEDING GROUND FOR THE GROWTH OF FURTHER INNOVATION.

I SEE THIS PROGRAM AS A TREMENDOUS OPPORTUNITY TO CAPITALIZE ON THE ORIGINAL SBDC CONCEPT OF LINKING UNIVERSITY, GOVERNMENT, AND PRIVATE SECTOR. THE SBA, IN COOPERATING WITH THE BEN FRANKLIN PARTNERSHIP, HAS INITIATED THE FIRST OF WHAT I BELIEVE WILL BE MANY INNOVATIVE PROGRAMS FOR SMALL BUSINESSES IN PENNSYLVANIA. I AM PLEASED THAT THE SBDC HAS THE OPPORTUNITY TO PARTICIPATE IN SUCH A CHALLENGING AND WORTHWHILE ENDEAVOR.

THANK YOU.

APPENDIX

STATEMENT OF

RICHARD D. DURKIN, REGIONAL ADMINISTRATOR

U.S. SMALL BUSINESS ADMINISTRATION, REGION V

BEFORE THE

COMMITTEE ON SMALL BUSINESS

U.S. SENATE

I, Richard D. Durkin, Regional Administrator, Region V, SBA, appreciate this opportunity to review with the Small Business Committee the progress of the program in SBA, Region V, and through the Detroit District Office, for procurement assistance in the state of Michigan.

Of the 20 worst unemployment areas of the United States, 14 are located in the Great Lakes Region and seven are located in the state of Michigan.

The state of Michigan, recognizing that in an efficient free enterprise system business seeks markets, has established within its Department of Commerce a special initative to provide assistance and expertise to Michigan businesses seeking federal contracts.

On February 1, 1982, in parallel development, several private-public sector sources funded the Downriver Community Conference and established it as an agency to provide local, specialized assistance and expertise to Michigan businesses seeking federal and/or military contracts.

As part of the Downriver Community Conference's employment generating services, the Business Assistance Center's primary goal is the creation or expansion of employment opportunities through identification of new markets to small businesses.

In accomplishing this goal, the Business Assistance Center has provided a wide range of technical assistance which has enabled Michigan firms to become successful bidders. Thus, this increase in production has resulted in a need to expand the workforce. Specifically, the Business Assistance Center has been able to provide the following services and resources:

Orientation to businesses on the procurement process.

Technical assistance seminars, e.g. quality control.

Bid preparation assistance.

Procurement history preparation, market research.

Computerized notices from the U.S. Army Tank Automotive Command.

Marketing of firms to military and civilian buyers via a supplier portfolio.

Development of alternative sources to meet specific and current military requirements.

Coordination and liaison with Senate and Congressional offices regarding legislation and procurement problems.

Referral to other agencies to meet business needs.

Technical assistance to other similiar operations being developed in Michigan.

Development and implementation of specialized employment and training programs and personnel recruitment for firms.

Staff trained in the basic operations and requirements of federal procurement.

Consultants in military procurement.

A federal procurement resource library including: the Defense Acquisition Regulations, Commerce Business Daily, Leutchman Letter, 40 procurement center commodity listings, assorted federal forms, Federal Procurement Data Systems reports, the Armed Forces Journal, the Coopers and Lybrand Government Contracts Newsletter, TACOM current procurement histories, the National Contract Management Journal and numerous pamphlets.

Mirco-film including all military and federal specifications, handbooks and drawings; over 5,000 manufacturers' catalogs and the complete GSA Supply Schedule. (Micro-film updated every two weeks).

Office and audio-visual equipment.

Mirco-fiche including: the MCRL 1, 2 and 3, MCL, FIND, DLA General Supply Buying Forcast, FSC Descriptions, MR 1, 2, 6 and 8 and FAA Item Descriptions.

As stated earlier, a major goal of the Business Assistance Project has been to create and identify employment opportunities for unemployed participants. This is accomplished through the direct provision of specialized procurement services to businesses.

A secondary objective of the project is to establish continuing linkages with the private sector to facilitate the achievement of a number of employment and training objectives. These include the obtaining of current business information regarding specialized and entry-level training needs and identifying opportunities for economic development through expanding or relocating firms. All firms interested in the project are invited to meet with staff for an orientation to the federal procurement system and the technical and employment services of the Center.

The next step in the project process is enrollment. A firm becomes enrolled for the Center's services by completion of the project release of liability form which also includes basic information about the firm. Two additional items are requested of each firm; a copy of the descriptive federal "Bidder's Mailing List Application (SF 129)" and completion of the Center's company profile form which list their capabilities and equipment.

Since February 1, 1983, the Business Assistance Program has provided technical assistance to 667 companies. Of this total, approximately, 220 are active bidders. To date, 189 contracts totaling $30 million have been awarded to 80 companies enrolled in the program.

To further enhance the services already provided by the Business Assistance Center, and to allow Michigan companies greater opportunity for contracts and visability to additional government agencies and major corporations, the lease, installation and operation of a Procurement Automated Source System (PASS) during Fiscal Year 1983, on site, aided in accomplishing this goal.

Through use of a letter of introduction and printed brochure with return card explaining the Center's services, the Business Assistance Center reached 6,000 industrial firms in Wayne, Oakland and Macomb counties. These firms who expressed an interest in attending an orientation session have been provided information regarding the PASS system, the appropriate application form and a profile form. The outcome of this mailing enabled us to increase our supplier portfolio to a minimum of 500 firms.

Pertinent information from these profiles as well as information on the PASS application is inputed into the computer. Utilization of PASS has allowed the Downriver Community Conference to further demonstrate the project's ability to match businesses with government agencies and major corporations.

Follow-up on the success of the system is being accomplished by the following inquiries:

On a selected basis, i.e. SIC Codes, contact firms who have not responded to initial mailing and, if at the time of contact, it is determined the company is not interested in participating, find out why.

Those firms who attended an orientation session, submitted a PASS application and profile for input into the computer will be contacted to determine if they have been contacted by a governmnt agency or a major corporation which led to an opportunity to quote.

Those firms who did have the opportunity to quote, determine if they were successful.

Those firms who had the opportunity but declined - determine the reason for declining.

The data realized from this type of closed-looped information has provided insight into the appropriate uses of the PASS system.

This completes my review of this procurement assistance project. This project through state and local governments and the corresponding networking for the state of Michigan and of private-public partnerships can and through SBA programs have supported an increase in the number of small business firms that are successfully participating in the Federal procurement program. This has resulted in an increase in the local economic base and had lead to the retention and creation of jobs.

Thank you for inviting me to testify before your committee.

ADDENDUM TO

STATEMENT OF

IRENEMAREE CASTILLO, Regional Administrator

San Francisco Regional Office

Small Business Administration

Mr. Chairman, and Members of this Committee:

The efforts of SCORE and ACE and the Bank of America in assisting in addressing the needs of victims of our recent disaster situations is but one of many partnerships we have formed in the past two years in meeting the needs of the small business community throughout SBA's Region IX. I would like to briefly relate to you some of the other outstanding examples of the public and private sectors working together to help small businesses.

SHIP REPAIR PARTNERSHIP FOR THE SAN FRANCISCO BAY AREA:
A once substantial source of employment and commerce in the San Francisco area has undergone a serious trend of contraction over the last decade. A workforce of over 10,000 employed in various aspects of the ship repair industry has dipped under 1,500 during the past 12 years.

Recognizing that the facilities and expertise that once made shipbuilding, repair, and conversion a major area employer largely remain intact, and based on the fact that 12 of the 14 remaining concerns are considered small businesses, SBA took a lead role in forging a partnership of those concerned with the industry and committed to its revitalization.

A series of meetings were held to organize the business owners and give them access to the community resources which could assist them. Representatives of the San Francisco Port Commission; Chamber of Commerce; Federal Agencies and large businesses with ship service procurement needs; and Mayor Feinstein's, Senator Wilson's, and Congresswoman Boxer's Offices were involved in developing a strategy for revitalization. Task forces were formed to address specific issues and develop a data base to support the business owners positions.

The partnership between the business owners, SBA, and community representatives will, by mutual agreement, become an ongoing effort to work on bringing jobs and commerce to the Bay Area. Most recently, the San Francisco Port Commission has approved a lease to a small firm wishing to expand its ship service business to larger, more complex jobs.

PIK-PACK LOAN PROGRAM:

In January of 1983 the U.S. Department of Agriculture placed into effect the Payment-In-Kind Program (PIK), which is designed to encourage farm operators to further reduce 1983 crop averages of wheat, corn, cotton, sorghum, and rice from previously announced levels. Initial response has amounted to a 36% reduction in the amount of farm land taken cut of production. While the program will have the beneficial effect of reducing government owned commodity surpluses, and will benefit participating farmers, it has, inadvertently, had a serious adverse effect on those businesses in the agricultural support services industries which are dependent upon normal crop production activity.

On a nationwide basis, industries servicing farmers in the affected commodities will lose between six and seven billion dollars in sales. Most of these are small businesses. Examples of these businesses are: 1. soil preparation; 2. equipment and repairs; 3. crop dusting; 4. harvesting; 5. fertilizer; 6. supplies; and 7. pesticides.

To address this situation, Bank of America, in cooperation with SBA, has designed a special SBA guaranteed loan program to assist those small businesses in meeting their current obligations and to redirect their activities into more profitable markets. The program began operating on July 18th of this year.

SBA FRESNO DISTRICT OFFICE-SMALL INDEPENDENT BANK-SMALL BUSINESS PARTNERSHIP:

The success of San Joaquin Helicopters, Inc., of Delano, California is the result of a partnership between SBA, two small independent banks, and a company that was determined to move ahead in new and innovative ways in the fertilizer and insecticide crop spraying industry which was previously dominated by old style, fixed wing aircraft.

In 1977, the company sought new funds to expand operations and found virtually every lending source unwilling to help in their effort to penetrate an established market with new and innovative ideas. Two small independent banks, Farmers State Bank of Fresno and Bank of the Sierra of Portersville, in partnership with SBA, provided the funds and management assistance necessary for San Joaquin Helicopters to move ahead.

Starting quite small, the company employed 30 people in 1977. Since then it has grown by leaps and bounds to its current level of 300 employees. An example of the company's successful new approach came during the Mediterranean Fruit Fly crisis in the State of California. The thoroughness of the spray program offered by the company, its more efficient insecticide coverage, and its ability to move slowly along an extremely tight, fixed course, allowed the company to become the lead contractor in the State's fight to eliminate the pest.

TUCSON LOCAL DEVELOPMENT CORPORATION:

The Tucson Local Development Corporation (TLDC), certified under SBA's 503 program, has combined innovation with an aggressive development program to form partnerships which pay off for its community.

Last year with the help of the Mayor of Tucson, the LDC formed a partnership with 12 Tucson banks and savings and loans. The financial institutions pledged $15.35 million in long term financing for the expansion of successful Tucson businesses to be used in conjunction with the long term

financing programs of the TLDC. Nineteen firms have taken advantage of the program to obtain long term expansion financing. More than 380 jobs are expected to be created during the next two years.

A primary example of this partnership's success is a local company, Environmental Air Products Co. (EAPC), which applied for a loan for expansion. EAPC manufactures air conditioning units and wanted a painting facility to finish their products. The company expected to add an additional 100 new employees to the payroll. A $500,000 loan was made. To the surprise and delight of those involved, the expansion of EAPC allowed the company to enter the export market. A customer in Saudi Arabia signed a large contract with EAPC, allowing the company to increase its production and hire almost 400 new employees.

THE PESO PACK:

During the summer of 1982 Mexico's Peso was suddenly devalued and overnight lost 75% of its buying power, dealing a catastrophic blow to U.S. merchants along the Mexican border. These merchants suddenly experienced decreases in sales of up to 85%, and since have been affected by wild

fluctuations in the Peso/Dollar exchange rate which continues to compound the problem.

SBA's San Diego District Office began a two pronged program to address the problem and to provide assistance for the troubled border merchants. The first step, which SBA initiated, was to put the Agency's financial and management assistance terms into the area to provide immediate counseling and assistance for the troubled small business persons. Secondly, District Director George Chandler began forming partnerships with the Bank of America, the Chambers of Commerce of Del Rio and Calexico, the Office of Congressman Duncan Hunter, the city and county governments in San Diego and Imperial Counties, local development companies, and the border merchants themselves.

Within 24 hours, Cecil Byrd, a Bank of America Vice President, obtained corporate approval for a special loan program to assist businesses adversely affected by the crisis. Congressman Hunter's office began finding locations where the merchants could be counseled. The Chamber of Commerce helped by providing space and getting the word out that help was available, and the city and county governments pledged all the help and resources they had to assist. By combining their efforts, all of the partners in the project,

working together, developed a program which would benefit the small business entrepreneurs who were adversely affected by the Peso situation.

As of June 16, 1983, the SBA had approved a total of 43 loans amounting to $3,758,000. In addition we granted 21 deferments and provided management counseling to more than 70 businesses. The Chambers of Commerce, bank, city and county governments, and the LDC have provided much more assistance to these business owners.

BALBOA INSURANCE COMPANY:

Through their participation in SBA's Surety Bond Program, Balboa Insurance Company of Newport Beach, California, has become one of the leading forces in aiding small contractors and businessmen to become eligible for bidding and obtaining jobs which would not have otherwise been available.

Balboa became active in this program in 1974 and today is responsible for approximately 26% of the Surety Bond Gurantee Program's total volume nationwide. This represents just over $2.3 billion in contract awards since that first year. Presently, Balboa writes bonds in all 50 states

through the Surety Bond Guarantee Program, and they proudly boast an extremely low loss ratio.

Balboa, in partnership with SBA, recently developed a pilot program which handles billing and collection of guarantee fees. The success of this joint pilot program has resulted in an efficient change in SBA's collection of earned income from the program, which will in turn help both small contractors and taxpayers alike.

U.S. GOVERNMENT
SMALL BUSINESS ADMINISTRATION
REGION VIII
EXECUTIVE TOWER BUILDING
1405 CURTIS STREET
DENVER, COLORADO 80202

STATEMENT OF

C. R. SUAREZ, REGIONAL ADMINISTRATOR,

SMALL BUSINESS ADMINISTRATION

REGION VIII

PURPOSE OF STATEMENT:

The following is a statement concerning two Small Business Administration programs of particular and unique value to Region VIII: the Certified Development Company (503) and Minority Small Business (8(a).

BACKGROUND:

Region VIII encompasses the states of North and South Dakota, Montana, Wyoming, Colorado and Utah. These states have 3% of the nation's population and 99% of its nearly 175 thousand businesses are small. Therefore small business is the heart of the region's economy. Small business is also the area's employer - hiring nearly 94 percent of its workers.

Obviously all SBA programs are important to the region. We make the most business loans per capita of any other SBA region which involves 8.6 percent of the agency's total business loan portfolio. However for this statement, I want to discuss two programs of particular value to the

region: the Certified Development Company program (503) and the 8(a) Minority Small Business program, especially as it relates to Indian tribes within Region VIII.

CERTIFIED DEVELOPMENT COMPANIES (503)

The underlying principles of this program are uniquely suited to the "Western" attitudes and philosophy of the states in this region. Westerners want to control their own destiny. The 503 program exemplifies the concept of New Federalism - returning power to the levels of government closest to the people - a concept in keeping with the states-rights attitudes of Western leaders.

While I call this is a "Western" attitude, I realize it is also a "Southern" attitude, a "New England" attitude and so forth. It can best be recognized as an American philosophy. Generally, states find the 503 program in keeping with their own goals for three reasons: first, because the makeup of the boards of directors for 503 companies include significant numbers of local leaders from the private sector; secondly, such companies provide for the use of private, local capital and management expertise; and, finally, they see this type of financing mechanism as an opportunity to give some direction to the development of their own communities.

In addition, the Rocky Mountain states are "capital poor" because most of the profits made by large corporations doing business in them are invested outside of their borders - even being sent over-night to banking centers in the Mid-West and West coast (with the notable exception of Colorado). SBA's 503 companies provide an investment opportunity for local capital, a means for leveraging that capital and, finally, the necessary financing for small businesses.

Of equal importance, the 503 program creates or helps preserve jobs. The states of Region VIII are dependent on agriculture, extraction of natural resources and tourism as the primary base of their economies. They were hit hard by the recession of the past year. The prime industries of the region laid off workers and the growth of small businesses was slowed by high interest rates thus slowing the creation of jobs.

The figures from the region's 503 companies for the first three quarters of this year indicate a turn around in the area's economy and illustrate how this program serves small businesses and job creation. For just the first nine months of this fiscal year, there is an increase in job creation and/or preservation of 56 percent over the entire 1982 fiscal year. The amount of investment capital provided by 503 companies has increased 80 percent during the same time period.

Since the program's inception through June 30, 1983, Region VIII's 503 companies have provided over $10 million to small businesses and created or helped retain nearly 650 jobs. In a region as sparsely populated as mine, those figures indicate a tremendous beneficial impact.

To illustrate my Region's commitment, I should point out that every district office has targeted this program as its primary focus for its public information program. This includes making speeches, press releases and personal contacts to explain the program's procedures and benefits.

Many district offices have made a concerted effort to promote creation and use of Certified Development Companies. The Salt Lake City office is one. I'd like to read a report from the Utah District Director concerning this program:

"Under Section 503 of the Small Business Investment Act as amended, certified state and local development companies may sell debentures guaranteed by SBA to finance plant construction, conversion or expansion including the acquisition of land, existing buildings and leasehold improvements by a small business.

"The purpose of the program is to assist communities, both urban and rural to stimulate the growth and expansion of small business through the

active, professional, financial and management services offered by a Certified Development Company (CDC). This public-private partnership between SBA and Certified Development Companies has the following priorities:

1. Bring new income into the area.
2. Have a stimulative effect on other local businesses.
3. Provide assistance to businesses in economically distressed areas.
4. Contribute to national objectives such as a strong defense, energy conservation, stimulation of new technology, export expansion, minority business development and enhance productivity and market competition.

The modem for the accomplishment of 503 program priorities is the creation and/or retention of jobs.

"The 503 program partnership is effective in generating jobs. In Salt Lake City, Utah, the private sector Certified Development Companies, in conjunction with the local SBA office has generated 281 jobs by participating in $6.7 million small business expansion projects. The government commitment of funds to these projects was $2.8 million, while the private sector commitment has exceeded $3.9 million. The total financial commitment by the government to create or retain one job in Salt Lake City has been $10,000.

"However, this is not a cost to the government. The 503 financial commitment is a loan which is repaid in full with interest.

"In addition, when one considers the multiplier effect of an additional indirect job created for every 1.6 direct new jobs, (as determined by the Bureau of Economic and Business Research, University of Utah), the 281 jobs directly created under the 503 program can be acknowledged as 452 jobs created and/or retained with a net financial commitment of government funds of $6,200 per job."

The public/private partnership of the 503 program contributes to the strength and viability of the nation's small business community and the economy as a whole. The program meets its priorities without destroying jobs in one area of the country to create jobs in another.

As the District Director explained, the state of Utah spends millions of dollars each year to attract companies and jobs through its economic and community development program, but such expenditures aren't recoverable and have a negative impact on communities in other states. These negative results don't exist in the 503 program.

8(a) MINORITY SMALL BUSINESS PROGRAM:

Region VIII is proud of its Minority Small Business program. Its 8(a) program includes contractors from many minority groups concentrated in different districts within the region. Currently there are 114 minority firms in the regional portfolio which have recevied a total of $128 million in contract support to date this fiscal year - most in multi-year contracts. We expect to end the year with more than $150 million worth of contracts.

My first priority in regard to the program is the equitable distribution of contract support to firms in the program. This has been accomplished with the help, support and understanding of the firms affected.

In the Denver District which has the largest number of small firms involved, an 8(a) Contractors Committee was formed which includes myself, as Regional Administrator, and the Region 8(a) Program Manager as members. This committee reviews and discusses Regional SBA polciy issues and helps resolve problems within the program to the benefit of the participants and agency.

Of unique importance to Region VIII's 8(a) program are the Indian firms from the states of Montana and North Dakota. My office has worked diligently to insure direct participation by Indians in the affairs and daily management of their firms. Because of this concern, SBA has developed an Indian policy permitting tribal ownership of firms eligible to participate (as opposed to individual ownership.)

Attached to this statement are three case studies involving Indian firms in Region VIII. All have faced severe problems which were successfully resolved. The major point of these successes is that they were accomplished through close cooperation of government civilian and military agencies working with tribal entities and the private sector. In addition, each success helped create or preserve jobs on Indian reservations which have between 65 and 75 percent unemployment.

If administered with genuine concern for the health of the small firms and the values of the minority groups involved, the 8(a) program can fulfill its goals. It provides assistance to minority firms needing time to develop their marketing, production and competitive skills. I am confident the Indian firms in my region will "graduate" with high honors and become viable forces within their fields.

But I also know they wouldn't have had a chance without the assistance they've received. I think the real mark of success of this program is that these firms are proud of themselves. They've developed long-range goals for themselves, have hope for the future and are willing to face it.

As I mentioned at the beginning, I only wanted to discuss two of SBA's programs and their results in the region which I represent. My overall message is that these, and all SBA programs, perform a vital service to small businesses. Both programs I've discussed were misunderstood by the general public. I believe we've broken through the communications barrier. I can reassure the members of Congress who worked to institute and who currently monitor these programs that they are fulfilling the intent of Congress and the needs of small business.

June 29, 1983

EXAMPLES OF PARTNERSHIPS
IN REGION VIII'S MINORITY SMALL BUSINESS PROGRAM

The following three recent case histories involve tribally owned 8(a) firms and are excellent examples of government civilian and military agencies working closely together with Indian tribal entities and the private sector to accomplish common goals.

1. NAME: A & S Tribal Industries, Assiniboine & Sioux Tribes

LOCATION: Ft. Peck Indian Reservation, Poplar, Montana

BACKGROUND: Tribal population is 7,500 and has an historical unemployment rate of 75%. The company was formed in 1974 to manufacture netting for camouflage covers. The company is 100% Indian owned and has received $24.5 million in 8(a) contracts since entry. The operation was totally dependent on the 8(a) Program for survival because it manufactured only products for Department of Defense.

The enactment of PL-96 481 in October 1980, requiring Fixed Program Participation Terms (FPPT), forced the company to evaluate its operation and to plan for life after 8(a). The obvious conclusion was that it must expand into the manufacture of products with commercial market potential.

PROJECT: Convert the plant into commercial line products. The products identified were insulated food containers, medical chests, gas cans, food trays, canteen cups and other items. Total conversion costs would be $3 million. The project was started in mid-1980 and required extremely close coordination and the full cooperation and support of DOD, EDA, SBA, and the Tribe. Each Agency's support is as follows:

ASTI's Investment	$1,500,000
EDA Loan	750,000
SBA BDE Injection	750,000
	$3,000,000

Defense Personnel Support Center (DPSC) and Defense General Supply Center (DGSC) provided industrial plant equipment via a facilities contract and are providing contract support.

The plant conversion was completed and dedication ceremonies held in mid-1982. The conversion should enable plant employment to grow from 150 to 400 over a five year period of which 80% are Native Americans. As of this date employment has increased from 150 to 270.

2. NAME: Devils Lake Sioux Manufacturing Company (DLSMC), Devils Lake Sioux Tribe

LOCATION: Fort Totten, North Dakota

BACKGROUND: Tribal population is 2,500 with an unemployment rate of 65%. The company was formed in 1973, employing an average of 350 of which 65% are Native Americans. It manufactures camouflage screening and helmets for Department of Defense. The tribe owns 51% of the company and Brunswick Corporation owns 49% of the stock. Brunswick also provides consulting and marketing services via a Consulting Agreement. The company has received approximately $170 million in contract support and $1.9 million in BDE since entry.

Because of Brunswick's 49% stock ownership, its Management Agreement with DLSMC, and the exclusive license held to provide DLSMC with material on a sole source basis, it was determined by SBA (Regional Administrator) in August 1982, that the Management Agreement contained nearly impossible conditions for DLSMC to meet should it want to cancel the Agreement or exercise its purchase option and that this situation gave Brunswick control of DLSMC.

In addition, the financial transactions between DLSMC and Brunswick regarding the purchase of raw material by DLSMC from Brunswick, (the only licensee available to manufacture the raw product) possibly created an affiliation would classify DLSMC as being "other than small." Finally, it was determined that all key management positions of DLSMC were held by Brunswick personnel. These several issues appeared to violate PL-95 507 and, as a result, all 8(a) contracting was suspended pending resolution of these eligibility issues.

PROJECT: Resolve the eligibility issues, reaffirm eligibility status and resume contracting. All problems were resolved within 90 days requiring close coordination of the Regional and Central Offices of SBA, the Tribe, Brunswick Corporation and the local Congressional delegation.

The solution included the following:

1. The original Management Agreement was replaced with a much less restrictive Consulting Agreement.
2. A Stock Divestiture Agreement was negotiated to give the tribe eventual ownership of all stock.
3. Some key DLSMC management positions held by Brunswick personnel were replaced with Tribal members and a tribal Management Committee was organized to manage and control the affairs of the 8(a) concern.

On November 8, 1982, 8(a) status was reaffirmed and all business activities were resumed. As a result of the suspension and the course of resolution, the Tribe recognized for the first time its vulnerability and lack of control of its business future. The tribe is very appreciative of SBA's concern regarding its status and SBA's efforts to assist it in solving its eligibility problems and ensuring its future after its 8(a) term expires. Another positive factor resulting from this case was the formation of Indian Policy regarding eligibility by SBA's Central Office.

3. NAME: Turtle Mountain Manufacturing Company, Chippewa Indian Tribe

LOCATION: Belcourt, North Dakota

BACKGROUND: Tribal population is 9,000 with an historical unemployment rate of 65%. The company was formed in 1979 and manufactures heavy transportation equipment for DOD. The company is 100% Indian owned and managed and has received approximately $18 million in contract support and a $500,000 BDE injection (June 1983) since entry.

The company had suffered large operating losses and had a large deficit net worth attributable primarily to poor management during the first three years of operation under an unfavorable Management Agreement Contract with individuals that also owned 49% of the 8(a) firm. In 1982, the Management Contract was terminated and the 49% stock was purchased by the tribe. The tribe's challenge was to develop a business plan and financial package to salvage the 8(a) firm from financial ruin.

PROJECT: Develop a Business Plan and Financial Package. The solution had to be accomplished in a tight, crucial sequential order and required a concentrated effort on the part of several agencies and private entities. The overall effort was successful and the future for this company and resulting employment for the tribe appears positive again.

The following elements contributed to this successful solution:

1. With SBA's assistance, the tribe located and hired an expert manufacturing operations manager.
2. A working capital loan in the amount of $3,000,000 was secured from BIF.
3. Several extensions were obtained from banks on existing loans.
4. A $500,000 BDE injection was provided by SBA for equipment.
5. A $8.3 million contract for manufacture of trailers was awarded by the Army.

U.S. SMALL BUSINESS ADMINISTRATION
REGION IV
1375 PEACHTREE ST., N.E., 5th FLOOR
ATLANTA, GEORGIA 30367

Date: July 20, 1983

Reply to Attn of: Miller Widemire
Regional Administrator

Subject: Senate Hearings

To: Bob Santy
Director
Office of Congressional & Legislative Affairs
SBA - Central Office

For use in the Senate hearings we are pleased to forward an executive summary of Region IV's Business Assistance pilot program.

We have conducted orientation and training sessions in two of our District Offices and are rapidly implementing the pilot in all of the region. Employees are accepting it with enthusiasm and we are strongly convinced that it will lead to significant improvements in servicing small businesses.

Miller Widemire
for Regional Administrator

Attachment

EXECUTIVE SUMMARY
BUSINESS ASSISTANCE PILOT
SOUTHEAST REGION (IV)

Region IV's Business Assistance Pilot takes a more business-like approach to the management and delivery of SBA field activity. It represents a shift in emphasis away from the administration and delivery of limited "in-house" programs toward the development of partnerships to form District Business Service Networks. As the managing partner of these networks, SBA will be responsible for planning, marketing and coordinating activities based on local market needs and Agency priorities. Input will be obtained from key contacts within the network - businesspersons, bankers, SBDCs and SCORE, Associations, Chambers, etc. - to form a District Marketing Plan (see attachment HO: 4-1 for an outline). The DMP will project specific activity such as conferences and workshops and the development of resources within specific market segments based on a set timetable. Each District's Plan will be reviewed by the Regional Outreach Coordinating Council which will recommend approval or decline to the Regional Administrator. (See attachment for the makeup of the Council).

Our pilot will capitalize on MA's proven track record in the areas of program development, networking and outreach. Under the guidance of the District Director and in close cooperation with other SBA divisions and special emphasis representatives, the Business Assistance Division (formerly MA) will be responsible for developing and managing the DMP. To prepare our field personnel for this new role, a comprehensive training course will be conducted in each District by the ARA/BA and a highly qualified OPM consultant (a partner in his wife's private consulting business). The course began in Columbia, S. C., on July 6, and covers topics such as forming partnerships (networking, outreach, SBA professionalism), managing assets (resources including time and volunteers), and marketing (management by objectives). The course will be open to 15 people in each District and will feature a four hour group exercise in preparing a District Marketing Plan. (see attached course outline).

Some key evolutionary changes are being made to allow the Business Assistance Staff to devote the necessary time to networking and developing and executing the DMP, without major sacrifice to the availability of traditional management counseling and training. These include:

1. The establishment of an SBDC in the remaining two of our eight states and the development of "accredited" SCORE Chapters and training co-sponsors. Accreditation criteria will be based on existing "Models" which have already achieved a high degree of self-management and self-sufficiency. "Cradle to grave" responsibility by SBA for casework and training done by accredited resources will be eliminated and corresponding records minimized. Material support will be maintained, while oversight and coordination will be improved.

2. Business Service Centers (formerly called One-Stop Centers) are being established in each District to handle general inquiries saving professional and management staff time. Statistics from Region IV's three pilot centers indicate that 94% of general inquiries are being completely addressed by the Business Service Center Representative (two Centers are staffed by GS-5s, one by a GS-11 who will be replaced by a 5 or 6). This is a substantial improvement in the utilization of personnel resources and is an improved method of guaranteeing the distribution of consistently accurate information. We are convinced that the Centers have enhanced SBA's image of quality in these Districts.

3. Direct involvement by Business Assistance Officers in counseling and training will be limited to diagnosis, referral and follow up on priority referrals (SBA borrowers/applicants, 8(a) clients), and the coordination and delivery of special emphasis activities. All "hands on" assistance will be delegated to network resources.

4. Paperwork and reporting will be limited to bare essentials, and utilization of our information processing systems for correspondence, lists, reports and management controls will be optimized. The maintenance of case files and training files will be transferred to accredited resources and quality control will be insured through regular overviews similar to those conducted on SBDCs.

5. Advocacy and Special Emphasis programs will be an integral part of the District Marketing Plan, not an adjunct. Specific activities for Advocacy, International Trade, Women's Business Ownership, Veterans Affairs and Private Sector Involvement and even CLP, PLP, and 503 expansion will be targeted in the Plan. Just as important, the development of resources to meet these special needs will be included.

6. The position descriptions, MAC and PMAS for Business Assistance personnel will be revised to reflect these operating modes. The performance of Business Assistance personnel will be based on how well they develop and execute the entire DMP.

The key revolutionary change is our focus on doing what we have preached to our business clients for years - MARKETING. Simply stated, this is to FIRST go and seek and understand what your territory wants and needs, and SECOND meet those wants and needs any and every way you can, (principally through other partners in service) while integrating our special emphasis programs into the whole of our offices.

Our budget (above our current staff resources) for implementation is $27,000, principally for the consultant services and travel - with $22,000 of this being borne by the Special Emphasis Programs and Advocacy.

HO:4-1

Format for District/Territorial Marketing Plan

I. Analysis of Business Needs

- A. Business Profile
- B. Business Need Analysis
- C. Ranking by Importance of Business Need

II. Analysis of Current Resources

- A. SMSA
- B. Non-SMSA Geographic Areas

III. Business Needs/Resource Match

- A. Cost/Benefit Comparison
- B. Need/Capability Match

IV. Additional Resource Development Areas

- A. Identify critical needs for which there is no match
- B. Identify resources to be developed/recruited

V. Key Results Areas, Objectives and Action Plans

- A. KRA Identification
- B. Develop Objectives
- C. Develop Action Plans

Regional Outreach Coordinating Council

Members:

Gary Keel, ARA/Management Assistance(Chairman)

June Nichols, Special Assistant to RA

John Latimer, ARA/Procurement Assistance

Duane Hunter, Regional Advocate

- - - , Public Information Officer

Dianne Frazier, Womens Business Ownership

Julius Toma, Export Development Specialist

Fred Stone, Veterans Affairs Officer

Al Symasek, Economic Development

AGENDA

DAY I

AM

- Overview
- Managing Priorities and Time
- Special Emphasis

PM

- District/Territorial Marketing Plan
- Conclude (6:30)
- Attitude Adjustment

DAY II

AM

- Resource Development
- Managing Volunteers
- Small Business Development Center

PM

- International Trade
- Managing Priority Cases
- SBA Professionalism